Ontario

Ministry of Finance

Public Accounts of Ontario

Financial Statements of Crown Corporations, Boards, Commissions

2001-2002

VOLUME 2

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MINISTERIAL RESPONSIBILITY FOR GOVERNMENT ENTERPRISES, ORGANIZATIONS, TRUSTS & OTHER

- Minister of Agriculture, Food and Rural Affairs
  - Agricorp
- Ministry of Attorney General
  - Legal Aid Ontario
  - The Public Guardian and Trustee for the Province of Ontario
- Minister of Consumer and Business Services
  - Liquor Control Board of Ontario
- Minister of Economic Development and Trade
  - Ontario Development Corporation
- Ministry of Education
  - Education Quality and Accountability Office
- Minister of Energy, Science and Technology
  - Hydro One Inc.
  - Independent Electricity Market Operator
  - Ontario Power Generation
- Ministry of Environment
  - Ontario Clean Water Agency
- Minister of Finance
  - Deposit Insurance Corporation of Ontario
  - Losses deleted from the accounts
  - Motor Vehicle Accident Claims Fund
  - Ontario Electricity Financial Corporation
  - Ontario Financing Authority
  - Ontario Securities Commission
  - Provincial Judges Pension Fund
  - Revenue remissions
- Minister of Health and Long Term Care
  - Cancer Care Ontario
- Minister of Labour
  - Workplace Safety and Insurance Board
- Chair of Management Board of Cabinet (Management Board Secretariat)
  - Ontario Pension Board
  - Ontario Realty Corporation
- Minister of Municipal Affairs and Housing
  - Ontario Housing Corporation
- Minister of Natural Resources
  - Algonquin Forestry Authority
- Minister of Northern Development and Mines
  - Northern Ontario Heritage Fund Corporation
  - Ontario Northland Transportation Commission
- Minister of Tourism, Culture and Recreation
  - The Centennial Centre of Science and Technology
  - Metropolitan Toronto Convention Centre Corporation
  - Ontario Lottery and Gaming Corporation
  - Ontario Place Corporation
  - Ontario Trillium Foundation
  - Niagara Parks Commission
  - Royal Ontario Museum
- Minister of Training, Colleges and Universities
  - Ontario Educational Communications Authority (TV Ontario)
- Minister of Transportation
  - Toronto Area Transit Operating Authority
  - GO Transit

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2001-2002 Public Accounts of the Province of Ontario comprise the **Annual Report and Financial Statements** and three volumes:

Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund reflects the financial activities of the government's ministries on a modified cash basis.

Volume 2 contains the financial statements of significant provincial crown corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of expenditure and the Ontario Public Sector salary disclosure.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2001 to March 31, 2002. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ONTARIO PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires employers in the public sector to disclose the names, positions, salaries and taxable benefits of employees paid $100,000 or more in the previous calendar year. One of the requirements is to include the information with their annual report or financial statements.

The employees of the following enterprises, organizations, trusts and ministry employees are paid through the Ontario government payroll system. Therefore, any employees paid $100,000 or more in 2001 are listed in the OPS listing in Volume 3 of the Public Accounts:

Algonquin Forestry Authority
Ontario Housing Corporation
Motor Vehicle Accident Claims Fund
Provincial Judges Pension Fund
The Public Guardian and Trustee for the Province of Ontario

The following enterprises, organizations and trusts had no employees who were paid $100,000 or more in 2001:

Northern Ontario Heritage Fund Corporation

For enterprises, organizations and trusts who have employees who were paid $100,000 or more in 2001, the listing required by the Act is included with their financial statements in this volume.

GOVERNMENT ENTERPRISES

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the Algonquin Forestry Authority Act.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle

Tim Doyle C.A.
Treasurer

C. Corbett

Carl Corbett R.P.F.
General Manager

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the statement of financial position of the Algonquin Forestry Authority as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 7, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

Algonquin Forestry Authority
Statement of Financial Position

March 31	2002	2001
Assets		
Current		
Cash (Note 3)	$ 4,231,088	$ 4,608,171
Receivables	4,393,397	3,553,781
Inventory	473,320	550,609
Prepaids	2,672	3,472
	9,100,477	8,716,033
Capital assets (Note 4)	1,606,019	1,580,942
	$10,706,496	$ 10,296,975
Liabilities		
Current		
Payables and accruals	$ 727,708	$ 462,702
Contractors' performance holdbacks	65,803	55,989
Due to Consolidated Revenue Fund	741,803	402,376
	1,535,314	921,067
Deferred contributions (Note 5)	158,646	577,911
Deferred contributions related to forest management activity (Note 6)	803,767	934,509
Obligation for employee future benefits (Note 7)	309,952	292,294
	1,272,365	1,804,714
Net assets		
Invested in capital assets	1,606,019	1,580,942
Restricted - Forest Renewal Fund (Note 3)	2,302,298	2,181,920
Unrestricted – General Fund	3,990,500	3,808,332
	7,898,817	7,571,194
	$10,706,496	$10,296,975

On behalf of the Board

John Robinson Director Bill Scheff Director

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Statement of Changes in Net Assets

Year Ended March 31

	Invested In Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	2002 Total	2001 Total
Balance, beginning of year, as previously reported	$ 1,580,942	$ 2,181,920	$ 3,808,332	**$7,571,194**	$ 7,657,372
Change in accounting policy (Note 8)	-	-	-	-	(272,925)
Balance, beginning of year, as restated	1,580,942	2,181,920	3,808,332	**7,571,194**	7,384,447
Net income (loss) for the year	(476,920)	120,378	684,165	**327,623**	186,747
Investment in capital assets	501,997	-	(501,997)	-	-
Balance, end of year	$ 1,606,019	$ 2,302,298	$3,990,500	**$ 7,898,817**	$7,571,194

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Statement of Operations
Year Ended March 31

	General Fund	Forest Renewal Fund	Total 2002	Total 2001
Revenue				
Product sales	$ 22,280,149	$ -	**$ 22,280,149**	$ 19,245,560
Forest renewal activity	-	1,281,693	**1,281,693**	1,246,683
Standing timber sales	851,377	-	**851,377**	1,164,778
Other	589,331	76,806	**666,137**	602,309
	23,720,857	1,358,499	**25,079,356**	22,259,330
Expenditure				
Direct program costs	16,907,959	960,640	**17,868,599**	15,686,990
Crown timber stumpage charges	4,129,054	-	**4,129,054**	3,951,166
Public access road maintenance	464,162	-	**464,162**	287,969
Operations planning	205,142	-	**205,142**	84,057
Wood measurement	108,386	-	**108,386**	146,828
	21,814,703	960,640	**22,775,343**	20,157,010
Operating Income	1,906,154	397,859	**2,304,013**	2,102,320
Administrative and other				
Salaries and benefits	912,144	252,375	**1,164,519**	1,223,396
Depreciation and amortization	433,348	43,572	**476,920**	425,581
Office supplies and expenses	103,357	593	**103,950**	69,944
Staff travel and training	68,428	3,134	**71,562**	59,249
Office rent	33,827	14,950	**48,777**	50,148
Public relations	36,719	-	**36,719**	41,838
Directors' allowances and expenses	30,050	-	**30,050**	26,711
Consulting, legal and miscellaneous	23,785	-	**23,785**	2,924
Insurance	13,589	6,429	**20,018**	15,782
	1,655,247	321,053	**1,975,300**	1,915,573
Net income for the year	$ 250,817	$ 76,806	**$ 327,623**	$ 186,747

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Statement of Cash Flows

Year Ended March 31	**2002**	2001
Cash derived from (applied to)		
Operating		
Net income for the year:		
General Fund	**$ 250,817**	$ 71,468
Forest Renewal Fund	**76,806**	115,279
Add (deduct): non-cash items		
Depreciation and amortization	**476,920**	425,581
Gain on sale of capital assets	**(22,890)**	(8,608)
	781,653	603,720
Change in non-cash operating working capital	**(147,280)**	(1,553,806)
	634,373	(950,086)
Financing		
Deferred contributions	**(550,007)**	274,504
Obligation for employee future benefits	**17,658**	19,369
	(532,349)	293,873
Investing		
Acquisition of capital assets	**(502,046)**	(346,489)
Proceeds on sale of capital assets	**22,939**	10,682
	(479,107)	(335,807)
Decrease in cash	**(377,083)**	(992,020)
Cash, beginning of year	**4,608,171**	5,600,191
Cash, end of year	**$4,231,088**	$4,608,171

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2002

1. Purpose of the organization

The Authority is responsible for forest management in Algonquin Provincial Park. The Authority is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is exempt from income taxes under the Income Tax Act.

2. Significant accounting policies

Fund accounting

The General Fund accounts for the Authority's profit generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenue from product and standing timber sales and forest renewal charges are recognized when the wood is delivered. Consulting and other income is recognized as revenue when earned.

Inventories

Inventories are valued on the first in, first out basis at the lower of cost or net realizable value.

Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, buildings and leasehold improvements, 20% per annum for data processing equipment and 33 1/3% per annum for automotive equipment. The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are depreciated and amortized at the same rates as the assets mentioned above.

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2002

3. Forest Renewal Fund

Effective April 1, 1997, the Authority entered into a 20 year agreement with the Ministry of Natural Resources to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also provided for a transfer of $1,500,000 from unrestricted net assets to the Forest Renewal Fund, which took place during 1998. The Authority is required to maintain, at a minimum, this amount in the Forest Renewal Fund.

4. Capital assets

			2002	2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	$ 99,399	$ 71,305	**$ 28,094**	$ 31,661
Data processing equipment	176,563	92,315	**84,248**	23,497
Buildings	38,679	24,323	**14,356**	14,356
Technical equipment	196,287	188,078	**8,209**	10,856
Automotive equipment	294,175	232,293	**61,882**	40,872
Bridges and access roads	4,860,851	3,534,188	**1,326,663**	1,397,916
Leasehold improvements	40,459	35,187	**5,272**	5,854
Forest renewal assets	510,799	433,504	**77,295**	55,930
	$6,217,212	$4,611,193	**$1,606,019**	$1,580,942

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for public access road maintenance received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2002	2001
Beginning balance	**$ 577,911**	$ 54,710
Add: amount received in the year	**45,905**	814,080
Less: amount recognized as other revenue in the year	**(465,170)**	(290,879)
Ending balance	**$ 158,646**	$ 577,911

Algonquin Forestry Authority
Notes to the Financial Statements

March 31, 2002

6. Deferred contributions related to forest renewal activity

Deferred contributions related to forest renewal activity represent unspent resources externally restricted by the Ministry of Natural Resources for Forest Renewal Fund activities. They consist of funds from Forest Renewal charges billed to customers and grants from the Forestry Futures Fund, received in the current period, that relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2002	2001
Beginning balance	**$ 934,509**	$ 1,183,206
Add: amount received in the year	**1,150,951**	997,986
Less: amount recognized as revenue in the year	**(1,281,693)**	(1,246,683)
Ending balance	**$ 803,767**	$ 934,503

7. Employee future benefits

The Authority provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario, which is a multiemployer defined benefit plan providing pension benefits. This plan is accounted for as a defined contribution plan as there is insufficient information available to apply defined benefit plan accounting. The Authority's contributions related to the pension plan for the year were $46,800 (2001 - $110,300) and are included in salaries and benefits in the Statement of Operations.

The Authority also provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one half of the employee's annual salary. The total obligation for severance payments vested amounts to $309,952 at year end (2001 - $292,294).

The cost of other non-pension post-retirement benefits is the responsibility of the Ontario Management Board Secretariat and accordingly is not accrued or included in the Statement of Operations.

8. Change in accounting policy

During the prior year, the Authority retroactively adopted the new Canadian generally accepted accounting principle which requires the liability for employee future benefits to be accrued. Accordingly, the Authority now accrues termination benefits. In years prior to 2000, termination benefits were expensed in the Statement of Operations only when paid.

9. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately $6,950 during the fiscal year (2001 - $8,700).

HYDRO ONE INC.
MANAGEMENT'S REPORT

The accompanying Consolidated Financial Statements of Hydro One Inc. (Hydro One or the Company) are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, and conform with accounting principles generally accepted in the United States, except as disclosed in Note 25 to the Consolidated Financial Statements. Hydro One applies accounting principles appropriate to its circumstances. The significant accounting policies followed by the Company are described in the summary of significant accounting policies contained in Note 2 to the Consolidated Financial Statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Consolidated Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 13, 2002.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Hydro One Board of Directors.

The Consolidated Financial Statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Hydro One Board of Directors. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report, which appears on page 3, outlines the scope of their examination and their opinion.

The Hydro One Board of Directors, through its Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit and Finance Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit and Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

On behalf of Hydro One Inc.'s Management:

Eleanor Clitheroe

Eleanor R. Clitheroe
President and Chief Executive Officer

Ken Hartwick

Kenneth M. Hartwick
Chief Financial Officer & Senior Vice President Finance

HYDRO ONE INC.
AUDITORS' REPORT

To the Shareholder of Hydro One Inc.:

We have audited the Consolidated Balance Sheets of Hydro One Inc. (the Company) as at December 31, 2001 and December 31, 2000, and the Consolidated Statements of Operations, Retained Earnings and Cash Flows of the Company for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards for 2001 and 2000 and Canadian generally accepted auditing standards for 1999. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and December 31, 2000, the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2001, in accordance with Canadian generally accepted accounting principles.

As described in the Summary of Significant Accounting Policies – Environmental Costs, effective January 1, 2001, the Company changed its policy for estimated future expenditures to remediate past environmental contamination.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants
Toronto, Canada

February 13, 2002

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Revenues			
Transmission *(Note 18)*	1,259	1,260	1,237
Distribution *(Note 18)*	2,158	1,703	1,793
Other	49	32	95
	3,466	2,995	3,125
Costs			
Operation, maintenance and administration *(Note 5)*	824	863	863
Purchased power *(Note 18)*	1,267	859	939
Depreciation and amortization *(Note 6)*	384	348	342
Transitional cost adjustment *(Note 7)*	-	-	55
Provincial debt guarantee fee *(Note 18)*	-	-	8
	2,475	2,070	2,207
Other income			
Gain on sale of investment *(Note 8)*	-	-	32
Income before financing charges and provision for payments in lieu of corporate income taxes	991	925	950
Financing charges *(Notes 9 and 18)*	350	340	381
Income before provision for payments in lieu of corporate income taxes	641	585	569
Provision for payments in lieu of corporate income taxes *(Notes 10 and 18)*	267	207	194
Net income	374	378	375
Basic and fully diluted earnings per common share *(Canadian dollars) (Note 17)*	3,562	3,182	-

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Retained earnings, January 1	241	265	-
Net income (from April 1, 1999)	374	378	265
Dividends	(258)	(402)	-
Retained earnings, December 31	357	241	265

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS

December 31 (Canadian dollars in millions)	**2001**	**2000**
Assets		
Current assets		
Accounts receivable (net of allowance for doubtful accounts - $12 million; 2000 - $10 million)	538	511
Materials and supplies	56	65
	594	576
Fixed assets *(Note 11)*		
Fixed assets in service	13,335	12,375
Less: accumulated depreciation	4,581	4,108
	8,754	8,267
Construction in progress	349	252
	9,103	8,519
Other long-term assets		
Deferred pension asset *(Note 13)*	847	452
Regulatory assets *(Note 12)*	519	352
Goodwill *(Note 4)*	133	6
Long-term accounts receivable and other assets	22	78
Deferred debt costs	13	14
	1,534	902
Total assets	11,231	9,997

See accompanying notes to Consolidated Financial Statements

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS (continued)

December 31 (Canadian dollars in millions)	2001	2000
Liabilities		
Current liabilities		
Bank indebtedness	24	24
Accounts payable and accrued charges *(Note 18)*	691	357
Accrued interest	57	64
Short-term notes payable *(Note 14)*	410	130
Long-term debt payable within one year *(Note 14)*	443	474
	1,625	1,049
Long-term debt *(Note 14)*	4,079	3,972
Other long-term liabilities		
Regulatory liability *(Note 12)*	847	452
Employee future benefits other than pension *(Note 13)*	510	509
Environmental liabilities *(Note 16)*	158	-
Long-term accounts payable and accrued charges	18	15
	1,533	976
Total liabilities	7,237	5,997
Contingencies and commitments *(Notes 15, 20, 21 and 23)*		
Shareholder's equity *(Notes 3 and 17)*		
Preferred shares (authorized: unlimited; issued: 12,920,000)	323	323
Common shares (authorized: unlimited; issued: 100,000)	3,314	3,436
Retained earnings	357	241
Total shareholder's equity	3,994	4,000
Total liabilities and shareholder's equity	11,231	9,997

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board of Directors:

Eleanor Clitheroe

Sir Graham Day
Chair of the Board of Directors

Eleanor R. Clitheroe
President and Chief Executive Officer

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Operating activities			
Net income	374	378	375
Adjustments for non-cash items:			
Depreciation and amortization (net of removal costs)	352	324	324
Transitional cost adjustment	-	-	55
Gain on sale of investment	-	-	(32)
	726	702	722
Changes in non-cash balances related to operations *(Note 19)*	188	23	118
Net cash generated from operations	914	725	840
Financing activities			
Debt for long-term financing:			
Issued	550	1,000	194
Retired	(474)	(1,399)	(362)
Debt for short-term financing	280	130	-
Deferred debt costs	1	(12)	(2)
Dividends paid	(258)	(398)	-
Net cash generated from (used in) financing activities	99	(679)	(170)
Investing activities			
Fixed assets	(566)	(446)	(529)
Acquisitions of municipal electricity utilities	(475)	(23)	-
Proceeds on disposal of fixed assets and investments	-	-	245
Other assets	28	(69)	43
Net cash used in investing activities	(1,013)	(538)	(241)
Net change in cash and cash equivalents	-	(492)	429
Cash and cash equivalents, January 1	(24)	468	39
Cash and cash equivalents, December 31 *(Note 19)*	(24)	(24)	468

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. INCORPORATION AND COMMENCEMENT OF OPERATIONS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and issued 10 common shares for nominal consideration, and is wholly-owned by the Province of Ontario (the Province). As part of the reorganization of Ontario Hydro under the *Electricity Act, 1998*, and the related restructuring of the electricity industry in Ontario, Hydro One acquired and assumed certain assets, liabilities, rights and obligations of the electricity transmission, distribution and energy services businesses of Ontario Hydro on April 1, 1999, and commenced operations on that date. In exchange, the Company issued debt and a promissory note, which was assumed by the Province in connection with the capitalization of the Company on March 31, 2000 (see Notes 3 and 17).

The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario. These businesses are regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries: Hydro One Networks Inc., Hydro One Network Services Inc., Ontario Hydro Energy Inc. (Ontario Hydro Energy), Hydro One Remote Communities Inc., Hydro One Brampton Inc. (Hydro One Brampton), Hydro One Markets Inc., Hydro One Telecom Inc., Ontario Hydro Delivery Services Company Inc. and Ontario Hydro International Inc. (Ontario Hydro International). Effective January 1, 2002, Ontario Hydro International was wound-up.

Basis of Accounting

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) and conform with accounting principles generally accepted in the United States (U.S. GAAP), except as disclosed in Note 25.

The results of operations and cash flows presented in these Consolidated Financial Statements for the 3 months prior to April 1, 1999, have been recorded in Hydro One's Consolidated Financial Statements on the same basis and in the same periods as originally recorded by Ontario Hydro. These results were determined through specific identification of revenues and expenses and also through an allocation of certain common financial statement accounts and items of Ontario Hydro.

Rate-setting

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for licensed transmitters and distributors of electricity, the power to provide continued rate protection for rural and remote electricity consumers, and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. Prior to April 1, 1999, Ontario Hydro was governed by the *Power Corporation Act*, which provided it with broad powers to generate, supply and deliver electricity throughout Ontario.

The transitional rate orders issued by the OEB effective April 1, 1999, which approved the transmission and distribution revenue requirements for 1999 and 2000, were designed to permit these regulated businesses to recover their allowed costs and to earn a forecasted annual rate of return of 9.35% for 1999 on the average common equity deemed, for regulatory purposes, to be allocated to such businesses. For 2000, the OEB adjusted the rate of return to 9.88% to reflect higher forecasted interest rates for that year. Although Hydro One did not commence operations as a stand-alone enterprise separate from Ontario Hydro until April 1, 1999, the transitional rate orders formed the basis of revenue recognition for the 3 months ended March 31, 1999, consistent with a revenue allocation agreement among the successor corporations of Ontario Hydro.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenue allocation based on the transitional rate order will continue to apply to the transmission business until Open Access, which the Province announced will be May 1, 2002. Following Open Access, the unbundled transmission rates approved by the OEB on January 15, 2001 will be implemented. These rates are based on the revenue requirement approved by the OEB under the transitional rate order for the year 2000.

The transitional bundled distribution rate order for the distribution business was extended during 2001 and then superceded on May 31, 2001 by a rate order incorporating a change to the wholesale cost of power. Effective June 1, 2001, distribution revenues recovered a 0.7 cent per kWh increase in the wholesale cost of power. Effective October 1, 2001, the Company's cost of power for its traditional customers was further increased by 1.15 cents per kWh to be consistent with the rate paid by other large distribution companies. The October increase, with line losses, would have resulted in an increase of 13.1% in customer bills. In order to limit the impact of this increase on the average total bill for retail customers, the Company proposed to phase in the cost of power increase by seeking increases of 4.0% on October 1, 2001 and further increases of 2.8% on each of March 1, 2002 and March 1, 2003. The Company reserved the right to return to the OEB with a proposal in respect of the remainder. A rate mitigation plan to address the revenue shortfall has been put in place. On September 19, 2001, the OEB issued an interim approval of the first phased increase, effective October 1, 2001; and on January 11, 2002 an interim approval was issued for the second phased increase, effective March 1, 2002. The OEB's review of Hydro One's unbundled distribution rates for the period commencing with Open Access is underway.

The following regulatory treatments have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

I. Employee future benefits other than pension are recorded using the accrual method as required by Canadian GAAP. The OEB has allowed for the recovery of past service costs, which arose on the adoption of the accrual method, in the revenue requirement on a straight-line basis over a 10-year period. As a result, in 1999 Hydro One recorded a regulatory asset in the original amount of $419 million to reflect this regulatory treatment;

II. Expenses incurred to align systems and practices with the requirements of the future competitive electricity market in Ontario (Market Ready costs) have been deferred in accordance with the initial criteria set out in the OEB's *Electricity Distribution Rate Handbook* and the *Accounting Procedures Handbook for Electric Distribution Utilities*. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP. The Company has applied for interim recovery of a portion of the costs and will apply for recovery of the remaining costs once the guidelines and timetable for this process have been established by the OEB. The OEB has the discretion to examine and assess the extent and timing of recovery of these Market Ready costs;

III. Effective January 1, 2001, Hydro One began to provide for estimated future expenditures required to remediate past environmental contamination. Because such expenditures are recoverable through rates, the Company recorded a regulatory asset in the original amount of $190 million. With the exception of that portion of the regulated asset relating to certain distribution expenditures, this regulatory asset, including future interest accretion, is expected to be amortized over the period to 2020 on a basis substantially consistent with the pattern of actual expenditures. Under the terms of a rate mitigation plan submitted to the OEB by Hydro One, that portion of the regulatory asset related to distribution expenditures for 2001 and 2002 will be amortized to results of operations on a straight-line basis over the period 2003 to 2020, inclusive. The OEB has the discretion to examine and assess the extent and timing of recovery of these environmental costs;

IV. In accordance with the transitional rate orders approved by the OEB, pension costs are recorded in the results of operations when employer contributions are paid to the pension fund rather than on the accrual basis. As a result, a regulatory liability has been recorded in an amount equal to the deferred pension asset; and

V. The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenue Recognition and Allocation

Until Open Access, traditional electricity customers will continue to pay bundled rates for electricity. Revenues are being collected, pooled and allocated to the successor corporations of Ontario Hydro consistent with a revenue allocation agreement among such corporations.

The revenue requirement for the transmission business is collected through the revenue allocation agreement and is recognized in accordance with the terms of the agreement. The revenue requirement is based on the transitional rate orders issued by the OEB. Distribution revenues attributable to the sale and delivery of electricity represent actual, rather than allocated, revenues, and are recognized as power is delivered to customers. Because customer meters are not generally read on a monthly basis, it is necessary to estimate the monthly revenue for the period based on wholesale power purchases.

Distribution revenue also includes an amount relating to rate protection for rural residential and remote customers, which is collected through the revenue allocation agreement and recognized in accordance with the terms of the agreement. The current legislation provides rate protection for prescribed classes of rural residential and remote consumers by reducing the electricity rates that would otherwise apply.

Transmission, distribution and other segment revenues also include revenue related to sales of services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered.

Corporate Income and Capital Taxes

Under the *Electricity Act, 1998*, Hydro One is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation (OEFC), commencing April 1, 1999. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) as modified by the *Electricity Act, 1998*, and related regulations.

The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Hydro One at that time.

Materials and Supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost and replacement cost.

Fixed Assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering costs, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to capital construction activities within regulated businesses or interest applicable to capital construction activities within unregulated businesses.

Fixed assets in service consist of transmission, distribution, communication, and administration and service assets. Fixed assets also include future use assets such as land and capitalized development costs associated with deferred capital projects.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, such as transformers, circuit breakers and switches.

Distribution

Distribution assets comprise assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include the fibre-optic and microwave radio system, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, major computer systems, personal computers, transport and work equipment, tools, vehicles and minor fixed assets.

Construction in Progress

Financing costs are capitalized on fixed assets under construction within regulated businesses based on the allowance for funds used during construction and within unregulated businesses using an interest capitalization rate that approximates the average cost of all long-term funds borrowed. The regulated and unregulated rates were the same for the period 1999 to 2001 (2001 - 8.1%; 2000 - 8.0%; 1999 - 7.9%).

Impairment of Fixed Assets

In the event that facts and circumstances indicate that a fixed asset may be impaired, an evaluation of recoverability is performed. For purposes of such an evaluation, the estimated future undiscounted cash flows associated with the fixed asset are compared to the asset's carrying amount to determine if a write-down is required.

Depreciation

The capital costs of fixed assets are depreciated on a straight-line basis, except for transport and work equipment and personal computers, which are depreciated on a declining balance basis.

Depreciation rates for the various classes of assets are based on their estimated service lives. The average estimated service lives and service life ranges of fixed assets are:

	Estimated service lives (years)	
	Range	Average
Transmission	12 - 100	57
Distribution	15 - 55	41
Communication	7 - 40	22
Administration and service	5 - 50	42

In accordance with group depreciation practices, the original cost of normal fixed asset retirements is charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense. Depreciation expense also includes the costs incurred to remove fixed assets.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The estimated service lives of fixed assets are subject to periodic review. Any changes arising from such a review are implemented on a remaining service life basis from the year the changes can first be reflected in rates.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, group life insurance, health care, workers' compensation and long-term disability.

In accordance with the OEB's transitional rate orders, pension costs are recorded when employer contributions are paid to the pension fund in accordance with the *Pension Benefits Act* (Ontario). As a result, a regulatory liability is recorded in an amount equal to the deferred pension asset. The deferred pension asset arises as a result of the cumulative difference between employer contributions and pension costs. Pension plan assets, consisting primarily of listed equity securities, and corporate and government debt securities, are valued using fair values. Actuarial valuations are conducted at least every three years.

Employee future benefits other than pension are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Employee future benefit costs are attributed to labour and charged to operations or are capitalized as part of the cost of fixed assets.

Goodwill

Goodwill represents the cost of acquired municipal electricity utilities in excess of fair value of the net identifiable assets purchased.

Goodwill arising from acquisitions completed on or before June 30, 2001 is amortized on a straight-line basis over 20 years. Goodwill arising from acquisitions completed subsequent to June 30, 2001 is not amortized in accordance with the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3062, *Goodwill and Other Intangible Assets*. Effective January 1, 2002, the amortization of goodwill will cease.

The carrying value of goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. In the event goodwill may be impaired, an evaluation of recoverability is performed based on estimated future undiscounted cash flows, as well as other factors.

Deferred Debt Costs

Deferred debt costs include the unamortized amounts of debt discounts or premiums arising from the issuance of debt and other costs. Deferred debt costs are amortized over the period to maturity of the debt on an annuity basis.

Environmental Costs

Hydro One changed its accounting policy for estimated future expenditures to remediate past environmental contamination. Prior to January 1, 2001, Hydro One accounted for estimated future expenditures associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl (PCB) contaminated mineral oil from electrical equipment, on an as incurred basis. Effective January 1, 2001, Hydro One changed its accounting policy for these legacy obligations and recognized a liability for the net present value of these estimated future expenditures. As the Company anticipates that the related expenditures will continue to be recoverable in future rates, no charge was made to 2001 results of operations. Instead, a regulatory asset was recognized to reflect the future recovery of these costs from customers (see Notes 12 and 16). Hydro One reviews its estimates of future environmental expenditures on an ongoing basis.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Foreign Currency Translation

Current monetary assets and liabilities in foreign currencies are translated to Canadian currency at year-end rates of exchange and the resulting exchange gains or losses are credited or charged to results of operations.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the year. Actual results could differ from estimates, including changes as a result of future regulatory decisions.

3. REORGANIZATION OF ONTARIO HYDRO

On March 31, 2000, the Company issued to the Province 12,920,000 5.5% cumulative preferred shares and 99,990 common shares. As consideration, the Province assumed Hydro One's obligations including accrued interest from April 1, 1999 under a promissory note and, in connection with the assumption of the Company's obligations by the Province, OEFC released Hydro One, effective as of March 31, 2000, from its obligations under the promissory note.

The capitalized value of the Company as at April 1, 1999 was determined as follows:

(Canadian dollars in millions)	
Excess of assets over liabilities, March 31, 1999	2,516
Adjustments:	
Elimination of allocated long-term debt from Ontario Hydro	5,382
Elimination of allocated short-term notes from Ontario Hydro	533
Elimination of allocated accrued interest	143
Elimination of allocated deferred debt costs	(228)
Debt issued effective April 1, 1999	(4,845)
	985
Regulatory asset - employee future benefits other than pension	419
Adjustment to deferred pension asset	164
Regulatory liability – deferred pension	(386)
Other net adjustments	61
	3,759
Represented by:	
Shares to be issued (represented by promissory note)	3,759

The purchase of the transmission, distribution and energy services businesses from the related party, OEFC, was recorded at the exchange amount of $8.6 billion, which approximated the book values of the assets acquired and liabilities assumed on April 1, 1999, and, in the current regulatory environment, approximated their fair value.

The actual net amount of assets and liabilities acquired on April 1, 1999 was less than estimates by $122 million. This excess of equity and liabilities over assets was originally recorded as an account receivable. In December 2001, Hydro One and the Province reached an agreement to settle the $122 million account receivable as a post-closing adjustment through shareholder's equity. The adjustment to shareholder's equity has been applied as a reduction of common share equity.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACQUISITIONS OF MUNICIPAL ELECTRICITY UTILITIES

During 2001, Hydro One acquired the outstanding shares or assets of 71 (2000 - 16) municipal electricity utilities for cash consideration of approximately $475 million (2000 - $23 million). Net identifiable assets acquired amounted to approximately $347 million (2000 - $17 million), representing assets of $416 million (2000 - $20 million) and liabilities of $69 million (2000 - $3 million). Based on the allocation of the purchase price, the transactions resulted in goodwill of $128 million (2000 - $6 million). These acquisitions were accounted for by the purchase method with the acquired companies' results of operations being included in the Consolidated Statement of Operations from the dates of acquisition.

Goodwill amortized during 2001 was $1 million (2000 - $nil). Goodwill recognized after June 30, 2001, which is not subject to amortization, was $93 million.

5. OPERATION, MAINTENANCE AND ADMINISTRATION

In November 1999, Hydro One approved a staff reduction program intended to reduce cost levels and recorded a provision in 1999 in the amount of $60 million. Costs in the amount of $53 million were charged to the provision in 2000 and $2 million was charged in 2001. In 2000, $5 million of the provision was reversed as a credit to the results of operations. In 1999, Hydro One also re-evaluated the need for some provisions previously recognized by Ontario Hydro and assumed by the Company on April 1, 1999. Remaining provisions of $36 million associated with an involuntary staff reduction program and surplus real estate were reversed as a credit to the results of operations in 1999.

6. DEPRECIATION AND AMORTIZATION

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Depreciation of fixed assets in service	302	280	270
Fixed asset removal costs	32	24	18
Amortization of regulatory and other assets	50	44	54
	384	348	342

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. TRANSITIONAL COST ADJUSTMENT

The transitional cost adjustment represents the difference between allowed costs specified in the OEB transitional rate orders, and costs incurred by Ontario Hydro during the first three months in 1999 that were allowed under the *Power Corporation Act*. Costs included in Hydro One's revenue requirement were higher due to payments in lieu of corporate taxes and an amount for amortization relating to the recovery of employee future benefits other than pension costs. These additional costs were partially offset by reduced financing charges resulting from lower debt balances that reflected the new capital structure of the Company and lower interest rates as well as the elimination of the provincial debt guarantee fee levied by the Province. The transitional cost adjustment was a non-recurring charge.

The following summarizes the components of the transitional cost adjustment for the three months ended March 31, 1999:

(Canadian dollars in millions)	1999
Depreciation and amortization	10
Payments in lieu of capital tax	6
Payments in lieu of corporate income taxes	87
Provincial debt guarantee fee	(8)
Financing charges	(40)
	55

8. ONTARIO HYDRO INTERNATIONAL INC.

On September 15, 1999, Hydro One's subsidiary, Ontario Hydro International, sold its 25% equity interest in Ontario Quinta A.V.V. (Ontario Quinta), resulting in a gain before income taxes of $32 million. At the time of the sale, Ontario Quinta held a 60% interest in Luz del Sur S.A.A., an electricity distribution company serving southern Lima, Peru, and a 64% interest in Tecsur S.A.A., a utility maintenance and construction company also operating in Peru.

9. FINANCING CHARGES

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Interest on short-term notes payable	7	2	-
Interest on long-term debt payable	369	377	411
Less: Interest charged to construction in progress	(21)	(22)	(18)
Interest earned on investments	(5)	(17)	(12)
	350	340	381

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. PROVISION FOR PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Income before provision for PILs	641	585	569
PILs included in the transitional cost adjustment *(Note 7)*	-	-	87
Less: Income before provision for PILs for the period January 1 to March 31, 1999	-	-	(197)
Adjusted income before provision for PILs	641	585	459
Federal and Ontario statutory income tax rate	41.74%	43.95%	44.62%
Provision for PILs at statutory rate	268	257	205
Increase (decrease) resulting from:			
The application of the income taxes payable method to the regulated businesses:			
Net temporary differences:			
Capital cost allowance in excess of depreciation and amortization	(20)	(44)	(50)
Environmental expenditures	(10)	-	-
Interest capitalized for accounting purposes but deducted for tax purposes	(8)	(10)	(7)
Employee future benefits other than pension expense in excess of (lower than) cash payments	6	(4)	3
Charge for staff reduction program in excess of (lower than) cash payments	-	(23)	27
Other	14	8	-
Net temporary differences	(18)	(73)	(27)
Permanent differences:			
Large corporations tax	16	15	11
Other	1	8	5
Net permanent differences	17	23	16
Provision for PILs	267	207	194
Effective income tax rate	41.65%	35.38%	42.27%

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2001, future income tax liabilities of $105 million (2000 - $80 million), based on substantively enacted income tax rates, have not been recorded. Hydro One was not subject to PILs prior to April 1, 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FIXED ASSETS

December 31 (Canadian dollars in millions)	Fixed assets in service	Accumulated depreciation	Construction in progress	Total
2001				
Transmission	8,150	2,527	178	5,801
Distribution	4,134	1,486	53	2,701
Communication	443	214	39	268
Administration and service	608	354	79	333
	13,335	4,581	349	9,103
2000				
Transmission	7,968	2,493	144	5,619
Distribution	3,441	1,097	85	2,429
Communication	383	194	5	194
Administration and service	583	324	18	277
	12,375	4,108	252	8,519

Financing costs are capitalized on fixed assets under construction, including allowance for funds used during construction on regulated assets and interest on unregulated assets, and were $21 million in 2001 (2000 - $22 million; 1999 - $18 million).

Hydro One customer contributions are netted against the cost of the asset. Cumulative customer contributions in aid of construction received by Hydro One, net of amortization, except for Hydro One Brampton, were $45 million (2000 - $49 million) for transmission and $207 million (2000 - $215 million) for distribution. Hydro One's subsidiary, Hydro One Brampton, consistent with other Ontario municipal electricity utilities, records contributions in aid of construction received prior to January 1, 2000 within fixed assets on a gross basis and depreciates these amounts over the remaining service lives of the assets.

12. REGULATORY ASSETS AND LIABILITY

Regulatory assets and liabilities can arise as a result of the rate-making process. As described in Note 2, Hydro One has recorded the following regulatory assets and liability, which are presented net of accumulated amortization of $132 million (2000 - $84 million).

December 31(Canadian dollars in millions)	**2001**	**2000**
Regulatory assets:		
Employee future benefits other than pension	293	335
Environmental	195	-
Market Ready	25	17
Other	6	-
Total regulatory assets	519	352
Regulatory liability:		
Deferred pension	847	452
Total regulatory liability	847	452

Hydro One's total deferred Market Ready costs of $89 million (2000 - $42 million), include the above Market Ready regulatory asset of $25 million (2000 - $17 million), and $64 million (2000 - $25 million) in information systems costs currently classified as construction in process.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EMPLOYEE FUTURE BENEFITS

Hydro One established a contributory defined benefit pension plan covering all regular employees of Hydro One and its subsidiaries, except Hydro One Brampton, on January 1, 2000. Until that date, employees and pensioners continued to participate in the Ontario Electricity Financial Corporation Pension Plan (OEFC Pension Plan), formerly the Ontario Hydro Pension and Insurance Plan. The OEFC Pension Plan transferred assets and liabilities to the successor plans, including the pension plan of Hydro One, in 2001.

Employees of Hydro One Brampton participate in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, which is a defined contribution plan. As Hydro One Brampton has been under a contribution holiday since August, 1998, no contributions have been made to the pension fund.

Effective January 1, 2000, Hydro One adopted the CICA's recommendations related to employee future benefits. The rate used to discount future pension benefits changed from a long-term average rate of return to a market-based interest rate. Hydro One has applied the recommendations retroactively but has not restated individual comparative periods. The cumulative effect of this adoption was a $211 million increase to the deferred pension asset and the regulatory liability.

Prior to January 1, 2002, Hydro One self-insured its workers' compensation liability. Effective January 1, 2002, the Company's status under the *Workplace Safety & Insurance Act, 1997* will change, and as a result Hydro One will be required to pay premiums to the Workplace Safety & Insurance Board. In connection with the change in employer status, the Company settled its outstanding workers' compensation liability in 2001.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Pension		Employee Future Benefits other than Pension	
Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**2001**	**2000**
Change in accrued benefit obligation				
Accrued benefit obligation, January 1	3,804	3,690	547	434
Adjustment related to adoption of new standard[1]	-	(230)	-	-
Accrued benefit obligation, January 1, as adjusted	3,804	3,460	547	434
Past service costs from plan amendments	23	-	3	14
Current service cost	64	55	17	15
Interest cost	258	246	37	35
Benefits paid	(220)	(199)	(30)	(39)
Settlement of workers' compensation liability	-	-	(29)	-
Acquisitions of municipal electricity utilities	-	-	10	-
Net actuarial loss	237	242	132	85
Staff reduction program	-	-	-	3
Accrued benefit obligation, December 31	4,166	3,804	687	547
Change in plan assets				
Fair value of plan assets, January 1	4,407	4,296	-	-
Actual return on plan assets	(88)	301	-	-
Employer contributions	15	-	-	-
Employees' contributions	12	16	-	-
Benefits paid	(220)	(199)	-	-
Administrative expenses	(6)	(7)	-	-
Fair value of plan assets, December 31	4,120	4,407	-	-
Funded status				
(Unfunded benefit obligation) funded excess	(46)	603	(687)	(547)
Unamortized net actuarial losses	872	270	142	-
Unamortized past service costs	21	-	8	11
Deferred pension asset (accrued benefit liability)	847	873	(537)	(536)
Valuation allowance[2]	-	(421)	-	-
Deferred pension asset, net of valuation allowance (accrued benefit liability)	847	452	(537)	(536)
Less: current portion	-	-	27	27
Deferred pension asset, net of valuation allowance (long-term liability)	847	452	(510)	(509)

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[1] Includes past service costs from plan amendments of $63 million recognized on adoption of new standard.

[2] The valuation allowance reduces the deferred pension asset to the maximum future benefit Hydro One expects to realize from the plan surplus.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Pension			Employee Future Benefits Other than Pension		
Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Components of net periodic benefit cost						
Current service cost, net of employee contributions	49	39	58	17	15	16
Interest cost	258	246	215	37	35	29
Expected return on plan assets	(312)	(316)	(275)	-	-	-
Amortization of net actuarial losses (gains)	29	-	(19)	-	(2)	7
Amortization of past service costs	2	-	-	1	1	-
Staff reduction program	-	-	165	-	(4)	-
Change in valuation allowance	(421)	31	-	-	-	-
Adjustment due to transitional rate orders *(Note 2)*	-	-	(141)	-	-	-
Net periodic benefit cost	(395)[1]	-	3	55	45	52
Capitalized as part of the cost of fixed assets	-	-	1	22	21	22
Charged to operations	-	-	2	33	24	30
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation, December 31	-	-	-	72	54	35
Net periodic benefit cost	-	-	-	5	5	4
Effect of 1% decrease in health care Cost trends on:						
Accrued benefit obligation, December 31	-	-	-	(58)	(44)	(29)
Net periodic benefit cost	-	-	-	(4)	(4)	(3)
Significant assumptions						
Weighted-average discount rate	6.50%	6.75%	6.50%	6.66%	6.88%	7.38%
Rate of compensation scale escalation	3.50%	3.25%	3.50%	3.50%	3.25%	3.50%
Rate of return on plan assets	7.50%	7.75%	7.25%	-	-	-
Rate of cost of living increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Average remaining service life of employees (years)	12	14	11	12	14	11
Rate of increase in long-term medical costs[2]	-	-	-	4.50%	4.50%	4.50%
Rate of increase in dental costs[3]	-	-	-	3.50%	3.50%	3.50%

[1] Adjustment to regulatory liability of corresponding amount, therefore no impact on operations.

[2] 10.00% grading down to 4.5% after eight years (2000 – 9.00% grading down to 4.50% after five years; 1999 – 7.20% grading down to 4.50% after three years).

[3] 5.00% for five years, 3.5% thereafter (2000 – 3.50% per annum; 1999 – 3.50% per annum).

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. DEBT

December 31 (Canadian dollars in millions)	2001	2000
Short-term notes payable	410	130
Long-term debt		
Notes payable to OEFC	2,972	3,446
6.94% debentures due 2005	200	200
7.15% debentures due 2010	400	400
6.40% note due 2011	250	-
7.35% debentures due 2030	400	400
6.93% note due 2032	300	-
	4,522	4,446
Less: long-term debt payable within one year	443	474
Long-term debt	4,079	3,972

Short-term debt represents promissory notes issued pursuant to the Company's commercial paper program. The notes are denominated in Canadian dollars with varying maturities not exceeding 365 days and with a weighted-average interest rate of 2.16% (2000 - 5.75%).

The long-term debt is unsecured and denominated in Canadian dollars. Such debt is summarized by the number of years to maturity in the following table:

Years to Maturity	Principal Outstanding on Notes and Debentures *(Canadian dollars in millions)*	Principal Outstanding on Notes Payable to OEFC *(Canadian dollars in millions)*	Weighted-Average Interest Rate *(Percent)*
1 year	-	443	11.0
2 years	-	651	7.2
3 years	-	682	6.8
4 years	200	507	7.7
5 years	-	589	10.3
	200	2,872	8.4
6 - 10 years	650	100	7.6
Over 10 years	700	-	7.2
	1,550	2,972	8.0

Hydro One has committed and unused revolving credit agreements with a syndicate of banks in the amount of $500 million which matures in 2002 and $250 million which matures in 2005. If used, interest on the lines of credit would apply based on Canadian benchmark rates. These credit agreements support the Company's commercial paper program. As at December 31, 2001, the Company also had $108 million in letters of credit outstanding.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amounts of all financial instruments, except long-term debt, approximate fair value. The fair value of long-term debt, based on year-end quoted market prices for same or similar debt of the same remaining maturities, is provided in the following table:

December 31 (Canadian dollars in millions)	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	4,522	4,956	4,446	4,873

Hydro One may enter into forward pay fixed interest rate swap agreements to hedge against the effect of future interest rate movements on long-term fixed rate borrowing requirements. When the hedged borrowing occurs, Hydro One terminates the hedge either by terminating the interest rate swap or by entering into an offsetting swap agreement. As at December 31, 2001, offsetting interest swap agreements were outstanding with the same counter-party having notional principal amounts of $167 million (2000 - $nil) and a fair value of $nil. The swap agreements mature in 2011.

Hydro One's unregulated retail subsidiary, Ontario Hydro Energy, offers fixed-price full requirements electricity contracts to residential consumers in Ontario. The sales contracts have terms up to five years. Contracts signed to date will become effective on or shortly after May 1, 2002, the date of Open Access in Ontario. Under the rules of Open Access, Ontario Hydro Energy will be required to purchase the energy used each hour by its customers at a price equal to the hourly spot price in Ontario's wholesale electricity market. To hedge the exposure to spot prices, Ontario Hydro Energy enters into financial electricity swap agreements under which it pays the counter-party a fixed price per MWh and receives the Ontario spot price. At December 31, 2001, Ontario Hydro Energy had swap agreements with an aggregate notional amount of 906,000 MWh, at a fixed price ranging from $45 to $50 per MWh, through April 2007. Based on the Company's best estimate of forward electricity prices for Ontario, the fair value of the swaps is immaterial.

In addition, Ontario Hydro Energy has entered into a number of long-term gas purchase and transportation agreements in the normal course of business to supply its retail gas contracts. The annual commitments under the gas purchase contracts in each of the five years subsequent to December 31, 2001 are as follows: 2002 - $7 million; 2003 - $7 million; 2004 - $7 million; 2005 - $7 million; and 2006 - $6 million.

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2001, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers consistent with the revenue allocation agreement among the successor corporations. As a result, Hydro One did not earn a significant amount of revenue from any single customer. As at December 31, 2001, there were no significant balances of accounts receivable due from any single customer.

The Company will continue to use derivative instruments to manage interest rate risk and commodity price risk. Derivative financial instruments result in exposure to credit risk, since there is a risk of counter-party default. Hydro One monitors and minimizes credit risk through various techniques including dealing with highly-rated counter-parties, limiting total exposure levels with individual counter-parties and by entering into master agreements which enable net settlement.

16. ENVIRONMENTAL LIABILITIES

December 31 (Canadian dollars in millions)	2001
Environmental liabilities	174
Less: current portion	(16)
	158

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Hydro One changed its accounting policy for environmental obligations on January 1, 2001 and recognized a liability for the present value of the estimated future expenditures to assess and remediate contaminated lands and to manage PCB contamination. As at January 1, 2001, the total estimated future expenditures, based on existing regulations, amounted to $95 million for land assessment and remediation and $170 million for PCB management. These amounts, expected to be incurred over the period 2001 to 2020 inclusive, were discounted using a 6.25% interest rate, resulting in an opening January 1, 2001 environmental obligation of $190 million. During 2001, expenditures of $26 million were charged to this provision and $10 million of interest was added resulting in a December 31, 2001 balance of $174 million. Hydro One's estimate of future environmental expenditures did not change during 2001.

There are uncertainties in estimating future environmental costs due to potential external events such as tightening regulations and advances in remediation technologies. Hydro One continuously reviews factors affecting its cost estimates as well as the environmental condition of its various properties. The costs for investigation or remediation of such properties may differ from currently estimated amounts depending on the results of such reviews.

Consolidated balance sheets for dates before 2001 have not been restated to reflect the new policy, as it was not in effect for rate purposes in earlier periods.

17. SHARE CAPITAL

Common and Preferred Shares

On March 31, 2000, the Company issued to the Province 12,920,000 5.5% cumulative preferred shares with a redemption value of $25.00 per share, and 99,990 common shares, bringing the total number of outstanding common shares to 100,000. The Company is authorized to issue an unlimited number of preferred and common shares. In December 2001, Hydro One and the Province reached an agreement to settle the $122 million account receivable as a post-closing adjustment through shareholder's equity (see Note 3). The adjustment to shareholder's equity has been applied as a reduction of common share equity. The Province is expected to pass a special resolution to reduce stated capital for legal purposes by $122 million effective December 31, 2001.

The preferred shares are entitled to an annual cumulative dividend of $18 million, which is payable on a quarterly basis. The preferred shares are redeemable at the option of the Province at a price of $25.00 per share plus any accrued and unpaid dividends if the Province sells a number of the Company's common shares which it owns to the public such that the Province's holdings are reduced to less than 50% of the Company's common shares. Hydro One may elect to pay all or part of this redemption price by issuing additional common shares to the Province. If the Province does not exercise its redemption right, the Company would have the ability to adjust the dividend on the preferred shares to produce a yield that is 0.50% less than the then-current dividend market yields for similarly rated preferred shares. The preferred shares do not carry voting rights, except in limited circumstances, and would rank in priority to the common shares upon liquidation.

Dividends

Common dividends are declared at the sole discretion of the Hydro One Board of Directors, and are recommended by management based on results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

In 2001, preferred dividends in the amount of $18 million (2000 - $31 million) and common dividends in the amount of $240 million (2000 - $371 million) were declared. Dividends declared during 2000 include $13 million in preferred dividends and $158 million in common dividends that were declared in respect of the nine months ended December 31, 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Earnings per Share

Earnings per share is calculated as net income during the year, after cumulative preferred dividends, divided by the weighted-average number of common shares outstanding during the year. Earnings per share for 1999 and 2000 reflect the issuance of common shares on March 31, 2000.

18. RELATED PARTY TRANSACTIONS

Prior to April 1, 1999, Hydro One, Ontario Power Generation Inc. (OPG), the Electrical Safety Authority (ESA) and the Independent Market Operator (IMO) were, in effect, business units of Ontario Hydro. Upon the reorganization of Ontario Hydro, OPG, the ESA and the IMO became related parties of Hydro One because all of these entities are controlled by the Province.

Hydro One receives revenue for transmission services consistent with the revenue allocation agreement (see Note 2). Transmission revenue for 2001 includes $1,213 million (2000 - $1,182 million; 1999 - $1,164 million) related to these services.

Hydro One receives a portion of its distribution revenue consistent with the revenue allocation agreement that will terminate upon Open Access (see Note 2). Under this agreement, distribution revenue for 2001 includes $52 million related to these services (2000 - $59 million; 1999 - $106 million).

Hydro One also receives revenue related to the supply of electricity to the 19 remote northern communities consistent with the revenue allocation agreement (see Note 2). Distribution revenue for the year ended December 31, 2001 includes $21 million (2000 - $17 million; 1999 - $15 million) related to these services.

Hydro One receives amounts for rural rate protection from customer revenue collected by the IMO (the Province prior to April 1, 1999) (see Note 2). Distribution revenue for 2001 includes $127 million (2000 - $127 million; 1999 - $127 million) related to this program, of which $5 million (2000 - $7 million; 1999 - $7 million) was paid to municipal electricity utilities in respect of annexation agreements.

Hydro One purchased power from OPG in the amount of $1,265 million in 2001 (2000 - $857 million; 1999 - $900 million). Hydro One has also entered into electricity swaps with OPG to pay a fixed rate and to receive a variable rate on a total notional volume of 906,000 MWh for a term of 5 years, commencing on the date of Open Access.

Hydro One has several service level agreements with the other successor corporations, primarily OPG. These services include field and engineering, logistics, corporate, telecommunication and information technology services. Revenues related to the provision of services to the other successor corporations and operation, maintenance and administration costs related to the purchase of services from the other successor corporations are summarized in the following table:

Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**1999**
Revenues			
Transmission	16	61	58
Distribution	7	3	6
	23	64	64
Operation, Maintenance and Administration			
Transmission	3	15	32
Distribution	1	3	15
	4	18	47

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at December 31, 2001, long-term debt in the amount of $2,972 million (2000 - $3,446 million) was due to OEFC. Financing charges for 2001, include interest expense on this debt in the amount of $288 million (2000 - $330 million; 1999 - $411 million). Allocated debt for the period prior to April 1, 1999 included bonds and notes payable to the Province as well as to unrelated parties. In respect of the allocated debt, Hydro One paid a debt guarantee fee to the Province. Since April 1, 1999, the Province has not guaranteed Hydro One's debt, and accordingly, the provincial debt guarantee fee is no longer incurred.

Provision for payments in lieu of corporate taxes were paid or payable to OEFC and dividends were paid or payable to the Province (see Note 2).

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (Canadian dollars in millions)	**2001**	**2000**
Accounts receivable	119	144
Accounts payable and accrued charges	(167)	(157)

Included in accounts payable and accrued charges are amounts owing to OPG in respect of power purchases for $167 million (2000 - $81 million).

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the purposes of the consolidated statements of cash flows, balance sheet item "bank indebtedness" has been netted against "cash and cash equivalents."

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**1999**
Accounts receivable (increase) decrease	(149)	25	(16)
Materials and supplies decrease (increase)	9	16	(16)
Accounts payable and accrued charges increase (decrease)	334	(46)	128
Accrued interest (decrease) increase	(7)	(8)	78
Long-term accounts payable and accrued charges increase (decrease)	3	6	(72)
Employee future benefits other than pension increase	1	13	36
Other	(3)	17	(20)
	188	23	118
Supplementary information:			
Interest paid	383	384	324
Payments in lieu of corporate income taxes	241	213	169

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. CONTINGENCIES

Legal proceedings

As a result of Hydro One's acquisition of certain transmission, distribution and energy services assets, liabilities, rights and obligations of Ontario Hydro, Hydro One has succeeded Ontario Hydro as a party in a number of legal proceedings. In 1995, Torcom Communications Inc. (Torcom) named Ontario Hydro as one of several defendants in a suit seeking damages of $150 million, as well as specific performance of certain agreements and interim injunctive relief. Torcom had sought to purchase certain telecommunication devices belonging to a bankrupt company from the court-appointed receiver. The devices had been installed on Ontario Hydro property under license to the original owner. Torcom claims that it reached an agreement with Ontario Hydro for the continued placement of the devices on Ontario Hydro property. Torcom alleges Ontario Hydro breached this contract and interfered with its efforts to purchase the devices from the receiver. There has been little activity on the case since 1995, when Ontario Hydro served a demand to particularize the allegations against it. Ontario Hydro did not receive a reply to its demand for particulars and has not yet served a statement of defense. Hydro One believes that there are strong defenses to the plaintiff's claims against Ontario Hydro and that it is unlikely that the outcome of the litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

Hydro One is one of many defendants in a suit in the Superior Court of Justice commenced on October 18, 1995, asserting aboriginal title to certain land within the City of Sarnia. The plaintiff, The Chippewas of Sarnia Band, alleges that the land was not properly surrendered before a Crown Patent was issued in 1853 and therefore subsequent owners who took possession under the Crown Patent do not possess valid title. Hydro One maintains transmission line facilities on portions of the disputed land. Hydro One cannot estimate the costs that might result from an adverse decision. On April 30, 1999, summary judgement was granted, dismissing the action against Ontario Hydro and certain defendants. On May 27, 1999, the plaintiff appealed the summary judgement order to the Court of Appeal for Ontario. Further, several defendants have also appealed the summary judgement order and others, including Hydro One, have filed cross-appeals. The appeals were argued in June 2000. The Court of Appeal decision rendered December 21, 2000 dismissed the plaintiffs' appeal and granted the appeals of the other parties. The plaintiff filed a motion for leave to appeal to the Supreme Court of Canada. On November 8, 2001, the Supreme Court of Canada dismissed the leave to appeal application with costs, thereby affirming the Court of Appeal decision. On December 18, 2001, the plaintiff brought a motion for reconsideration of the leave to appeal decision and seeks a reversal of the denial of the leave application or an order for an oral hearing of the leave to appeal application. Such orders are rare and made only in exceptional circumstances. Hydro One believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

On March 29, 1999, the Whitesand First Nation Band commenced an action in the Ontario Court (General Division), naming as defendants the Province, the Attorney General of Canada, Ontario Hydro, OEFC, OPG and the Company. On May 24, 2001, the Whitesand First Nation Band issued an almost identical claim against the same parties. The reason for the second claim is the procedural defence of the Province that proper notice of the first claim was not given under the *Proceedings Against the Crown Act* (Ontario). These actions seek declaratory relief, injunctive relief and damages in an unspecified amount. The Whitesand Band alleges that since at least the first half of the twentieth century, Ontario Hydro has erected dams, generating stations and other facilities within or affecting the band's traditional lands and that those facilities have caused damage to band members and the lands, including substantial flooding and erosion. The Whitesand Band also claims treaty rights to a share of the profits arising from the activities of these Ontario Hydro facilities, an entitlement to increases in annuity payments established by treaty and compensation for costs incurred in the course of prior negotiations of band grievances with Ontario Hydro. The Whitesand Band asserts multiple causes of action, including trespass, breach of fiduciary duty, nuisance and negligence. To date, Hydro One has not filed a defence. The Company has requested particulars of the claims as have the other defendants. Following receipt, Hydro One will be filing a defence. The claims relating to activities of Ontario Hydro (i.e., flooding) are the matters for which OPG would have responsibility pursuant to Transfer Orders under the *Electricity Act, 1998*. Hydro One believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Transfer of Assets

On April 1, 1999, in connection with the acquisition of its operations, Hydro One acquired and assumed assets, liabilities, rights and obligations of Ontario Hydro's electricity transmission, distribution and energy services businesses, except for certain transmission, distribution and other assets located on lands held for bands or bodies of Indians under the *Indian Act* (Canada). Transfer of title to these assets did not occur because authorizations originally granted by the Minister of Indian Affairs and Northern Development (Canada) for the construction and operation of these assets could not be transferred without the consent of the Minister and the relevant Indian bands or bodies or, in several cases, because the authorizations had either expired or had never been properly issued. Hydro One manages these assets, which are currently owned by OEFC.

Hydro One has commenced negotiations with the relevant Indian bands and bodies to obtain the authorizations and consents necessary to complete the transfer of these transmission, distribution and other assets. Hydro One cannot predict the aggregate amount that it may have to pay to obtain the required authorizations and consents. Hydro One expects to pay more than $850,000 per year, which was the amount previously paid to these Indian bands and bodies by Ontario Hydro and which was the total amount of allowed costs in the transitional rate orders. If after taking all reasonable steps, Hydro One cannot otherwise obtain the authorizations and consents from the Indian bands and bodies, OEFC will continue to hold these assets for an indefinite period of time. Alternatively, Hydro One may have to relocate these assets from the Indian lands to other locations at a cost that could be substantial, or, in a limited number of cases, to abandon a line and replace it with diesel generation facilities. In such cases, Hydro One would apply to the OEB to recover these costs in future rate orders.

21. OPERATING LEASE COMMITMENTS

The future minimum lease payments under operating leases for each of the five years subsequent to December 31, 2001 and in total thereafter are as follows: 2002 - $19 million: 2003 - $15 million; 2004 - $13 million; 2005 - $7 million; 2006 - $6 million; and thereafter - $6 million.

22. SEGMENT REPORTING

Hydro One has three reportable segments:

I. The transmission business, which comprises the core business of providing transportation and connection services and is responsible for transmitting electricity throughout the Ontario electricity grid;
II. The distribution business, which comprises the core business of delivering and selling electricity to customers; and
III. An "other" segment primarily consisting of energy services, telecom, head office and the results of Ontario Hydro International.

The designation of segments has been based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see Note 2). Segment information on the above basis is as follows:

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**1999**
Transmission			
Revenues	1,259	1,260	1,237
Operation, maintenance and administration	354	433	423
Depreciation and amortization	219	198	179
Segment profit before transitional cost adjustment, Provincial debt guarantee fee and financing charges	686	629	635
Distribution			
Revenues	2,158	1,703	1,793
Operation, maintenance and administration	391	388	382
Purchased power	1,265	857	900
Depreciation and amortization	163	143	152
Segment profit before transitional cost adjustment, Provincial debt guarantee fee and financing charges	339	315	359
Other			
Revenues	49	32	95
Operation, maintenance and administration	79	42	58
Purchased power	2	2	39
Depreciation and amortization	2	7	11
Segment (loss) before transitional cost adjustment, Provincial debt guarantee fee and financing charges	(34)	(19)	(13)
Capital expenditures			
Transmission	274	280	327
Distribution	715	175	186
Other	45	14	16
	1,034	469	529

December 31 (Canadian dollars in millions)	**2001**	**2000**
Total assets		
Transmission	6,693	6,477
Distribution	4,416	3,434
Other	122	86
	11,231	9,997

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada, except for the operations of Ontario Hydro International prior to 2000 (see Note 8).

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SUBSEQUENT EVENT

Effective March 1, 2002, the Company will transfer to Cap Gemini Ernst & Young approximately 900 employees currently involved in Hydro One information technology and various other business processes. This initiative enables Hydro One to focus on its core transmission and distribution businesses and turn to competitive external service providers for other services.

Cap Gemini Ernst & Young will offer services to Hydro One through a new entity, Inergi LP (Inergi). In connection with this initiative, Hydro One will receive from Inergi a range of services including information technology, customer care, supply chain and certain human resources and finance services for a 10-year period. The initial service level price initially ranges between $90 million and $130 million per year, subject to external benchmarking every three years to ensure Hydro One is receiving a defined competitive and continuously improved price.

24. COMPARATIVE FIGURES

The comparative Consolidated Financial Statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2001 Consolidated Financial Statements.

25. RECONCILIATION TO U.S. GAAP

The Consolidated Financial Statements of Hydro One have been prepared in accordance with Canadian GAAP, which conforms in most respects to U.S. GAAP. Under both Canadian GAAP and U.S. GAAP, certain of the Company's accounting policies differ from those that would be followed by enterprises operating in a non-rate-regulated environment.

The material differences between Canadian GAAP, as used in the preparation of these Consolidated Financial Statements, and U.S. GAAP, are summarized below.

Consolidated Statements of Operations

Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**	**1999**
Net income	374	378	375
Adjustments increase (decrease):			
Employee future benefits other than pension (a)	(2)	(6)	8
Staff reduction charges (b)	-	(60)	45
Corporate write-offs (c)	(2)	(2)	(24)
Net income and comprehensive income (U.S. GAAP)	370	310	404
Retained earnings, opening	200	292	-
Dividends	(258)	(402)	-
Excess of assets over liabilities, March 31, 1999	-	-	(2,870)
Excess of assets over liabilities, opening (U.S. GAAP)	-	-	2,758
Excess of assets over liabilities, closing (U.S. GAAP)	-	-	-
Retained earnings, December 31 (U.S. GAAP)	312	200	292

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated Balance Sheets

December 31 (Canadian dollars in millions)	**2001**	**2000**
Assets: increase (decrease)		
Fixed assets in service (a),(c)	19	24
Regulatory assets – environmental (d)	-	190
Regulatory assets – deferred tax (e)	118	97
Liabilities: (increase) decrease		
Accounts payable and accrued charges (c)	8	8
Employee future benefits other than pension (a)	(4)	(11)
Environment liabilities (d)	-	(190)
Deferred tax liability (e)	(118)	(97)
	23	21

(a) Employee Future Benefits Other than Pension

Under U.S. GAAP, actuarial gains or losses are immediately recognized in results of operations. Under Canadian GAAP, such amounts can be deferred and amortized over the average remaining service period of active employees. Under U.S. GAAP, liabilities for other post employment benefits (OPEB) at December 31, 2001 and 2001 OPEB cost would have been $4 million higher due to the immediate recognition of the actuarial loss (2000 - $11 million higher; 1999 - $13 million lower due to a gain) resulting from a change in the current market settlement rate at December 31. Of this, $2 million would have been charged to the results of operations (2000 - $6 million charged; 1999 - $8 million credited) and $2 million would have been capitalized (2000 - $5 million capitalized; 1999 - $5 million credited to) as part of the cost of fixed assets.

(b) Staff Reduction Charges

Under Canadian GAAP prior to January 1, 2000, costs relating to staff reduction programs were recognized at the time management approved such reductions and the costs could be reasonably estimated. Under U.S. GAAP, the cost of staff reduction programs can not be recognized unless the program meets specific additional criteria and, for a voluntary retirement programs, if the employees actually accept an offer of early retirement.

Ontario Hydro provisions for staff reduction costs in the amount of $15 million were allocated to Hydro One on April 1, 1999, against which actual staff reduction expenditures of $1 million were incurred during 1999. Hydro One reversed the remaining provision of $14 million as a credit to results of operations in 1999. Under U.S. GAAP, the original provision and its subsequent reversal would not have been recorded and the actual expenditures incurred would have been charged to the results of operations during 1998 and 1999.

During 1999, Hydro One recorded a new provision for voluntary staff reduction costs in the amount of $60 million and in 2000, Hydro One reversed $5 million of this provision as a credit to the results of operations. Under U.S. GAAP, the original provision would not have been recorded in 1999. Instead, a provision for $55 million would have been recorded in 2000 as employees actually accepted the early retirement offer. Therefore, U.S. GAAP income would have been lower in 2000 by $60 million due to a combination of the $55 million staff reduction provision and the absence of the $5 million credit resulting from the 2000 reversal of a portion of the provision recognized under Canadian GAAP in 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) Corporate Write-offs

In 1997, Ontario Hydro recorded a $33 million expense related to the future disposal of certain field operation centres, consisting of a $25 million write-down of fixed assets and a $8 million provision for non-discretionary post-occupancy costs. Under U.S. GAAP, the fixed assets would have remained on the balance sheet as assets held for future use and would have continued to be depreciated at $2 million per year. In addition, the provision for non-discretionary post-occupancy costs would not have been recorded.

In 1993, Ontario Hydro recorded a real estate provision in the amount of $22 million, which was reversed by Hydro One as a credit to results of operations in 1999. Under U.S. GAAP, the provision and its subsequent reversal would not have been recorded.

(d) Environmental Costs

As a result of the January 1, 2001 change in accounting policy, Hydro One was in compliance with U.S. GAAP throughout 2001. However, prior to January 1, 2001, it was Hydro One's policy to expense the costs to settle past environmental damage as those costs were incurred. That policy was also the basis on which the Company's transmission and distribution rates were set. For U.S. GAAP purposes, a discounted liability and regulatory asset of $190 million would have existed as at December 31, 2000, equal to the opening January 1, 2001 balances under Canadian GAAP (see Notes 12 and 16).

(e) Deferred Income Taxes

For a rate regulated enterprise, U.S. GAAP requires the reporting and display of deferred income tax liabilities and assets on the balance sheet. To the extent that the deferred income taxes are expected to be included in the approved rates charged to customers in the future, the Company would record a regulatory asset. The amount of deferred taxes reported for U.S. GAAP, determined on the basis of enacted income tax rates, is based on information included in Note 10.

(f) Acquisitions of Municipal Electricity Utilities

As set forth in Note 4 to the Consolidated Financial Statements, Hydro One acquired a number of municipal electricity utilities during the year. Under U.S. GAAP, the Company is required to disclose, as supplemental information, the results of operations as though the acquisitions had occurred at the beginning of the preceding period. The unaudited pro forma results of operations of the Company for the years ended December 31, 2001 and 2000, assuming that the acquisitions of municipal electricity utilities had been consummated as of January 1, 2000, are as follows:

Year ended December 31 (Canadian dollars in millions)	**2001**	**2000**
Revenues	3,720	3,496
Net income	356	347

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(g) Proportionate Consolidation of Joint Ventures

Under Canadian GAAP, Hydro One accounted for its indirect investment in Ontario Quinta using the proportionate consolidation method. Under U.S. GAAP, Hydro One's indirect investment in Ontario Quinta would have been accounted for using the equity method. However, U.S. securities regulations allow Hydro One to omit from the U.S. GAAP reconciliation the differences resulting from the use of the proportionate consolidation method.

The following table summarizes the effects on the results of operations and financial position of using proportionate consolidation to account for the Ontario Quinta investment for the period prior to the sale. The effect on net income was equal to that which would have been obtained under the equity method.

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999
Revenues	-	-	69
Operation, maintenance and administration	-	-	24
Purchased power	-	-	37
Depreciation and amortization	-	-	4
Financing charges	-	-	-
Net income	-	-	4

(h) Transitional Cost Adjustment

As set forth in Note 7 to the Consolidated Financial Statements, the Company recorded a transitional cost adjustment in the first three months of 1999. Under U.S. GAAP, the transitional cost adjustment would not be recognized as a specific cost line item in the first three months of 1999. Instead, under U.S. GAAP, the transitional cost adjustment would have been netted against revenue.

(i) Statement of Cash Flows

Under U.S. GAAP, bank indebtedness is not included in deriving cash and cash equivalents for purposes of the statement of cash flows. Bank indebtedness is classified as a financing activity.

(j) Derivative Instruments and Hedging Activities

The Company's interest rate and electricity swap contracts (see Note 15) are derivative financial instruments as defined in Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The interest rate swaps would be accounted for under SFAS No. 133 as cash flow hedges of forecast borrowings. To the extent the swap contracts are effective hedges, changes in fair value would be reported in Other Comprehensive Income (OCI) and transferred to results of operations when interest on the hedged borrowings is recognized. In addition, premiums or discounts recorded when Hydro One terminates hedges related to future borrowing requirements, would be reported in OCI and transferred to results of operations when interest on the hedged borrowings is recognized. The fair value of the interest rate swaps as at December 31, 2001 was nil and the premium received of $2.2 million was immaterial and, therefore, there would be no material effect on results of operations or financial position as a result of applying SFAS No. 133.

Under SFAS No.133, the electricity swaps would be reported at fair value in the consolidated balance sheet. They would be accounted for as cash flow hedges of forecast spot purchases of electricity required to satisfy the Company's retail sales contracts. To the extent the swap contracts are effective hedges, changes in fair value would be reported in OCI and transferred to results of operations when the hedged purchases are recognized. The fair value of the electricity swaps as at December 31, 2001 was immaterial and, therefore, there would be no material effect on results of operations or financial position as a result of applying SFAS No. 133.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(k) Future Accounting Pronouncements

On June 30, 2001, the Financial Accounting Standard Board (FASB) issued SFAS 141, *Business Combinations*, which eliminates the pooling-of-interest method of accounting for business combinations and requires the use of the purchase method. In addition, it requires the reassessment of intangible assets to determine if they are appropriately classified either separately or within goodwill. SFAS 141 is effective for business combinations initiated after June 30, 2001. On July 1, 2001, Hydro One adopted CICA Section 1580, *Business Combinations*, which is consistent with SFAS 141. There is no material impact on the Company's results of operations and financial position as a result of adopting these standards.

On June 30, 2001, the FASB issued SFAS 142, *Goodwill and Other Intangible Assets*, which eliminates the amortization of goodwill and other acquired intangible assets with indefinite economic useful lives. SFAS 142 requires an annual impairment test of goodwill and other intangible assets that are not subject to amortization. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Hydro One will adopt CICA Section 3062, *Goodwill and Other Intangible Assets*, on January 1, 2002, which is consistent with SFAS 142. Application of the non-amortization provisions is not expected to result in a material increase in net income. During 2002, the Company will perform the first of the required impairment tests as of January 1, 2002, and does not expect that the results from these tests will result in any material impact on the results of operations and financial position of the Company.

On June 30, 2001, the FASB approved SFAS 143, *Accounting for Asset Retirement Obligation*, for obligations associated with the retirement of long-lived assets. SFAS 143 requires a liability to be recognized in the financial statements for retirement obligations meeting specific criteria. Measurement of the initial obligation is to approximate fair value with an equivalent amount recorded as an increase in the value of the capitalized asset. The asset will be depreciated in accordance with normal depreciation policy and the liability will be increased for interest accretion, with a charge to the statement of operations, until the obligation is settled. Regulated enterprises may recognize a regulated asset or liability for differences in timing of recognition of costs for accounting and rate making purposes. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The potential impact of adopting SFAS 143 is not yet determinable, but may be material.

On October 3, 2001, the FASB approved SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment and disposal of long-lived assets. While SFAS 144 supersedes SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, it retains many of the fundamental provisions of that Statement. SFAS 144 also supersedes the accounting and reporting provisions of Accounting Principles Board Opinion 30, *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occuring Events and Transactions*, for the disposal of a segment of a business. However, it retains the requirement in Opinion 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed or is classified as held for sale. SFAS 144 is effective for fiscal years beginning after beginning after December 15, 2001. The impact of adopting SFAS 144 is not expected to be material.

HYDRO ONE INC.
FIVE-YEAR[1] SUMMARY OF FINANCIAL AND OPERATING STATISTICS

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999	1998	1997
Statement of operations data					
Revenues	3,466	2,995	3,125	3,048	3,099
Costs					
Operation, maintenance and administration[2]	824	863	863	723	706
Purchased power	1,267	859	939	1,165	1,250
Depreciation and amortization	384	348	342	300	302
Transitional cost adjustment[3]	-	-	55	-	-
Provincial debt guarantee fee[4]	-	-	8	31	32
Deferred pension asset[5]	-	-	-	(204)	-
	2,475	2,070	2,207	2,015	2,290
Other income					
Gain on sale of investment[6]	-	-	32	-	-
Income before financing charges and provision for payments in lieu of corporate income taxes	991	925	950	1,033	809
Financing charges	350	340	381	559	584
Income before provision for payments in lieu of corporate income taxes	641	585	569	474	225
Provision for payments in lieu of corporate income taxes[7]	267	207	194	-	-
Net income	374	378	375	474	225
Basic and fully diluted earnings per common share *(Canadian dollars)*	3,562	3,182	-	-	-

[1] The results of operations and financial positions prior to April 1, 1999 may have been different if Hydro One had been a stand-alone corporation with its own management and capital structure, rather than a business unit of Ontario Hydro.

[2] Operation, maintenance and administration for 1999 includes a net charge of $24 million for a staff reduction program and the reversal of certain provisions. In 1997, Ontario Hydro's Board of Directors approved a charge in the amount of $79 million related to field operation centres, certain cost of programs, the consolidation of facilities and planned employee reductions.

[3] The transitional cost adjustment was a one-time charge related to the first three months of 1999 (see Note 7).

[4] The provincial debt guarantee fee was an annual fee equal to one-half of one percent (0.5%) of the total debt guaranteed by the Province outstanding as of the preceding December 31. This fee was eliminated effective April 1, 1999 (see Note 18).

[5] The provisions of the *Electricity Act, 1998*, allow Hydro One to reduce employer contributions to the pension plan to the extent permitted under the *Pension Benefits Act* (Ontario), effective April 1, 1998. As a result, the deferred pension asset was increased by $204 million with a corresponding credit to 1998 operations.

[6] The gain on sale of investment relates to the sale of the Company's 25% equity interest in Ontario Quinta (see Note 8).

[7] As of April 1, 1999, Hydro One is required to make payments in lieu of corporate taxes (see Notes 2 and 10).

HYDRO ONE INC.
FIVE-YEAR[1] SUMMARY OF FINANCIAL AND OPERATING STATISTICS (continued)

Year ended December 31 (Canadian dollars in millions)	2001	2000	1999	1998	1997
Financial position data					
Total assets	11,231	9,997	10,090	9,435	9,059
Other financial data					
EBITDA[8]	1,375	1,273	1,292	1,333	1,111
Capital expenditures:					
Transmission	274	280	327	171	176
Distribution	715	175	186	188	126
Other	45	14	16	35	22
Ratios					
Net asset coverage on long-term debt[9]	1.88	1.90	1.83	1.43	1.37
Earnings coverage ratio[10]	2.53	2.37	2.19	1.82	1.37
U.S. GAAP (Canadian dollars)					
Net income and comprehensive income	370	310	404	446	272
Retained earnings	312	200	292	-	-
Earnings coverage ratio[10]	2.52	2.20	2.26	1.77	1.45
Operating statistics					
Transmission:					
Units transmitted (TWh)	146.9	146.9	144.1	143.0	144.8
System peak demand (MW)	25,269	23,428	23,435	22,443	22,197
Total transmission lines (kilometres)	28,387	28,490	28,889	29,066	29,080
Distribution:					
Units distributed (TWh)	21.3	17.6	18.1	18.3	18.8
Total distribution lines (kilometres)	122,399	113,880	113,400	116,947	119,182
Customers[11]	1,193,089	957,474	933,990	977,835	973,439
Total employees	4,815	4,468	5,632	5,221	5,222

[8] EBITDA represents income before financing charges, provision for payments in lieu of corporate income taxes, depreciation and amortization and does not include financing income.

[9] Net asset coverage on long-term debt is calculated as total assets minus total liabilities excluding long-term debt (including current portion) divided by long-term debt including current portion.

[10] The earnings coverage ratio has been calculated as the sum of net income, gross interest expensed (which excludes capitalized interest) and provision for payments in lieu of corporate income taxes divided by the sum of gross interest plus cumulative preferred dividends. On March 31, 2000, preferred dividends of $13 million were declared in respect of the nine months ended December 31, 1999. As a result, the earnings coverage ratio would have been 2.30 in 2000 (U.S. GAAP – 2.13) and 2.26 in 1999 (U.S. GAAP – 2.33) on the basis of dividends declared.

[11] As of April 1, 1999, Hydro One served approximately 934,000 retail customers. The reduction over years prior to 1999 was a result of statutory annexations under the *Power Corporation Act* of a small portion of facilities by several municipal electricity utilities. Subsequent increases reflect the acquisitions of municipal electricity utilities.

Liquor Control Board of Ontario

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with accounting principles generally accepted in Canada, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 12, 2002.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Governance Review Committee of the Board.

The Board, through the Audit and Governance Review Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit and Governance Review Committee, comprised of three Members who are not employees/officers of the LCBO, meets periodically with management, the internal auditors, and the Provincial Auditor to satisfy itself that each group has properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on page 48, outlines the scope of the Auditor's examination and opinion.

On behalf of management:

J. C. Browning

J. Alex Browning
Senior VP Finance & Administration, and Chief Financial Officer

Office of the Provincial Auditor of Ontario

Auditor's Report

To the Liquor Control Board of Ontario
and to the Minister of Consumer and Business Services

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 2002 and the statements of income and retained income and of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 12, 2002

Erik Peters, FCA
Provincial Auditor

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income and Retained Income
Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
ASSETS		
Current		
Cash and cash equivalents	80,108	47,961
Accounts receivable, trade and others	19,298	15,649
Inventories	226,285	260,619
Prepaid expenses	8,337	6,086
	334,028	330,315
Long-term		
Capital assets (Note 5)	197,895	186,996
	531,923	517,311
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	216,518	218,836
Current portion of accrued benefit obligation (Note 3)	3,525	4,202
	220,043	223,038
Long-term		
Accrued benefit obligation (Note 3)	28,024	26,329
Retained income	283,856	267,944
	531,923	517,311

Commitments and Contingencies (Notes 6 and 8)

See accompanying notes to financial statements.

Approved by:

Chair and Chief Executive Officer

Director

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income and Retained Income
Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Sales and other income	2,939,563	2,734,937
Costs and expenses		
Cost of sales	1,529,018	1,390,575
Retail stores and marketing	344,759	339,017
Warehousing and distribution	54,137	46,565
Administration	46,477	41,962
Amortization	44,260	40,546
	2,018,651	1,858,665
Net income for the year	920,912	876,272
Retained income, beginning of year	267,944	259,622
Workers Compensation Benefits (Note 3)	—	(17,950)
	1,188,856	1,117,944
Deduct		
Dividend paid to Province of Ontario	901,000	846,000
Payment to municipalities on behalf of the Province of Ontario (Note 9)	4,000	4,000
	905,000	850,000
Retained income, end of year	283,856	267,944

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Cash Flows
Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Cash provided from Operations		
Net income	920,912	876,272
Amortization	44,260	40,546
Loss on sale of capital assets	200	192
	965,372	917,010
Change in non-cash items		
Working capital	26,116	4,999
Accrued benefit obligation	1,018	429
	992,506	922,438
Cash used for investment activities		
Purchase of capital assets	(55,735)	(55,689)
Proceeds from sale of capital assets	376	79
	(55,359)	(55,610)
Cash used for financing activities		
Dividend paid to Province of Ontario	(901,000)	(846,000)
Payment to municipalities on behalf of the Province of Ontario	(4,000)	(4,000)
	(905,000)	(850,000)
Increase in cash during the year	32,147	16,828
Cash and cash equivalents, beginning of year	47,961	31,133
Cash and cash equivalents, end of year	80,108	47,961

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 2002

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*. The Board transfers most of its profits to the Province of Ontario's Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Board's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined by the moving average cost method.

(c) Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	20 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years
Computer Equipment	3 years

Minor capital expenditures and the expenditures for repairs and maintenance are charged to income.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, and highly liquid investments with original maturity dates of less than 90 days.

The Board's investment policy restricts short-term investments to high liquidity, high grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 2002

3. NON-PENSION EMPLOYEE FUTURE BENEFITS

The Board is responsible for the accrued employee termination payments.

Also effective April 1, 2000, the Board recognized its workers compensation obligation in the amount of $17.9 million which was not funded. Fiscal 2001 was the first year of recognizing this obligation in accordance with the Canadian Institute of Chartered Accountants new recommendations for accounting for employee future benefits. The new recommendations had been adopted on a retroactive basis without restatement. The impact on prior years had been reflected as an adjustment to opening retained earnings. The recognized amount was determined from actuarial calculations provided by the Workplace Safety and Insurance Board.

In fiscal 2002, the cost of these employee future benefits was $5.8 million (2001 – $5.2 million) and is included in Cost and expenses in the Statement of Income and Retained Income. The accrued benefit obligation as at March 31, 2002 is $31.5 million (2001 – $30.5 million) of which $3.5 million (2001 – $4.2 million) is classified as a current liability.

The cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the Statement of Income and Retained Income.

4. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer defined benefit pension plans established by the Province of Ontario. These plans are accounted for as defined contribution pension plans as the Board has insufficient information to apply defined benefit plan accounting. The expense represents the Board's contributions to the plans during the year.

In fiscal 2002, the expense was $10.1 million (2001 – $9.8 million) and is included in Costs and expenses in the Statement of Income and Retained Income.

5. CAPITAL ASSETS

	2002			2001
	($000s)			($000s)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	13,737	—	13,737	13,835
Buildings	285,851	193,147	92,704	99,177
Furniture and fixtures	42,093	29,465	12,628	8,091
Leasehold improvements	125,812	80,715	45,097	32,480
Computer equipment	102,818	69,089	33,729	33,413
	570,311	312,416	197,895	186,996

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 2002

6. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($000s)
2003	30,625
2004	28,173
2005	25,166
2006	22,672
2007	20,716
Thereafter	150,032
	277,384

7. HEDGING

The Board has entered into forward foreign exchange contracts to manage the foreign exchange risk associated with its purchases from foreign suppliers. A forward foreign exchange contract is an agreement between two parties to set exchange rates in advance.

As at March 31, 2002 the Board had $3,702,693 (2001 – $1,469,069) forward foreign exchange contracts outstanding.

Credit risk is the risk that a party to a forward foreign exchange contract will fail to discharge its obligation and cause the Board to incur financial loss. The Board minimizes credit risk by only dealing with major Canadian Chartered banks and Canadian subsidiaries of major foreign banks.

8. CONTINGENCIES

The Board is involved in various legal actions arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

9. PAYMENT TO MUNICIPALITIES

During fiscal 2002, in accordance with Section 5(2) of the *Liquor Control Act, 1990*, the Board was directed by Cabinet to contribute $4.0 million (2001 - $4 million) to assist municipalities with their glass recycling costs. Cabinet further directed the Board to contribute $5 million annually in each of the next 4 years.

LIQUOR CONTROL BOARD OF ONTARIO

Surname	Given Name	Position	Salary Paid	Taxable Benefits
ASHDOWN	TONY	Director, Human Resources Development	$105,755.35	$277.12
BONIC	JACQUELINE	VP, Store Dev. & Real Estate	$136,146.41	$344.07
BOURRE	DON	Director, Eastern Region	$103,127.00	$1,505.36
BRANDT	ANDREW	Chair & CEO	$140,923.17	$161.40
BROWNING	ALEX	Sr. VP, Finance & Administration	$169,919.48	$394.58
BUCK	PETER	Director, Human Resources Services	$129,836.22	$325.94
BURNS	TAMARA	Category Director, Wines	$133,797.07	$343.16
CARDINAL	NANCY	VP, Marketing Communications	$135,954.41	$343.16
CHU	HANG-SUN	Sr. Systems Analyst	$101,058.13	$216.84
COLLINS	ROBERT	Director, Customer Insights	$111,857.47	$285.37
DOWNEY	ROBERT	Category Director, Spirits	$143,580.31	$368.12
DUTTON	ROB	Dir., Fin. Planning & Economic Dev.	$134,286.59	$326.70
ECKER	ROY	Director, Central Region	$135,878.72	$346.93
FARRELL	MICHAEL	Director, Wholesale	$122,726.83	$321.35
FISHER	R. G.	Director, Western Region	$135,723.05	$349.61
FITZPATRICK	MARY	Sr. VP, Gen. Counsel & Corp. Secretary	$169,919.48	$394.58
FLYNN	LARRY	Sr. VP, Merchandising	$140,628.67	$298.76
GEE	LARRY	Executive VP & Chief Operating Officer	$247,715.93	$548.22
GRANT	KEITH	Director, Traffic, Customs & Excise	$104,128.81	$292.84
GREEN	MICHAEL	Solicitor	$123,189.22	$326.70
HICKS	WILLIAM	Director, Traffic, Customs & Excise	$109,796.87	$290.25
HOBLEY	A. N.	Director, Customer Service & Admin.	$112,624.13	$305.75
HOLLOWAY	BRIAN	Director, Application Systems	$120,472.29	$319.51
KANE	MURRAY	Sr. VP, Human Resources	$169,919.48	$394.58
KELLY	HUGH	Sr. VP, Information Technology	$169,919.48	$394.58
KENNEDY	WILLIAM	Exec. Director, Corp. Communications	$135,954.41	$344.07
KER	J. G.	Director, Corporate Policy	$129,836.22	$326.70
LAMANTIA	M.	Sr. Systems Analyst	$100,245.62	$215.25
LANDY	RANDI	Category Director, Beers & Sp. Markets	$104,447.54	$277.12
LYONS	CAROL	Controller	$124,587.24	$326.70
MACGREGOR	MARALISA	Director, Supply Chain	$111,449.07	$283.18
MARSHALL	DAVE	Director, Northern Region	$127,273.22	$1,125.70
MARTIN	JOHN	Sr. VP, Logistics	$167,455.46	$394.58
MCGRATH	BRUCE	Sr. Systems Analyst	$103,161.37	$216.84
MCNEE	J. (ANDREW)	Solicitor	$103,686.53	$208.28
MOGK-EDWARDS	SHARI	Category Director, Spirits	$104,326.99	$277.12
MURPHY	PETER	Director, Conventional Warehousing	$132,880.90	$323.39
O'BRIEN	BARRY	Director, Corporate Affairs	$113,451.87	$286.03
PIZZOLATO	BRUCE	Director, Durham Facility	$113,039.79	$284.05
RAMSAY	GARY	Director, Application Systems	$128,752.10	$325.94
RENTON	ALISON	Solicitor	$118,487.90	$318.77
SHERWOOD	GARFIELD	Sr. VP, Retail	$169,919.48	$394.58
SOLEAS	GEORGE	Director, Quality Assurance	$127,984.66	$308.35
SUTTON	SHELLEY	Director, Strategic Planning	$111,857.48	$286.03
TUGHAN	WILLIAM	Director, Loss Prevention & Security	$113,655.48	$286.03
TURNER	JIM	Director, Western Region	$103,127.00	$501.36
WALKER	R. LILA	Director, Compensation & HR Admin.	$106,190.18	$277.12
WHITELAW	RICHARD	Treasurer	$118,179.73	$300.34
WILSON	T. J.	VP, Vintages	$135,955.43	$343.16
YAZEJIAN	LEVON	Director, General Audit	$111,857.48	$286.03
ZACHAR	WAYNE	Director, Employee Relations	$127,273.22	$325.94
ZALESKIS	A. (ANDY)	Director, Info. Tech. Infrastructure	$123,153.36	$325.94

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT

October 31, 2001

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and the Provincial Auditor. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the Commission.

John A. M. Kernahan
General Manager
January 18, 2002

Brooker

Robert F. Brooker
Assistant General Manager and
Senior Director, Corporate Services
January 18, 2002

THE NIAGARA PARKS COMMISSION

AUDITORS' REPORT

To The Niagara Parks Commission,
the Minister of Tourism
and the Provincial Auditor

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Provincial Auditor or an auditor designated by the Lieutenant Governor in Council, we have audited the balance sheet of The Niagara Parks Commission as at October 31, 2001 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2001, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Crawford, Smith and Swallow

Niagara Falls, Ontario
January 18, 2002

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

Crawford, Smith and Swallow
Chartered Accountants LLP
4741 Queen St.
Niagara Falls, ON
L2E 2M2
Telephone (905)356-4200
Telecopier (905)356-3410

THE NIAGARA PARKS COMMISSION
BALANCE SHEET
October 31, 2001

STATEMENT 1

Assets	2001 $	2000 $
Current Assets		
Cash	1,493,614	9,596,381
Accounts receivable		
Land rent	2,350,056	1,567,878
Sundry	1,779,690	1,620,829
Inventories		
Saleable merchandise	3,568,438	3,559,094
Maintenance and other supplies	1,203,010	1,157,560
Prepaid expenses	121,029	241,642
	10,515,837	17,743,384
Fixed Assets - note 2	136,076,447	121,695,208
	146,592,284	**139,438,592**

Liabilities and Equity		
Current Liabilities		
Bank Loan	3,000,000	
Accounts payable	9,304,506	8,609,203
Accrued payroll	1,040,917	955,510
Current portion of mortgage payable	300,000	300,000
	13,645,423	9,864,713
Mortgage Payable - note 3		300,000
Post-Employment Benefits - note 4	2,571,209	
Commitments - note 5		
Contingencies - note 6		
Equity – Statement 2	130,375,652	129,273,879
	146,592,284	**139,438,592**

Signed on behalf of the Commission:

Chairman

Vice-Chairman

See accompanying notes

THE NIAGARA PARKS COMMISSION
STATEMENT OF EQUITY

STATEMENT 2

for the year ended October 31, 2001

	2001	2000
	$	$
Equity, Beginning of Year	129,273,879	123,352,171
Net Income for the Year - Statement 3	3,417,752	5,921,708
Change In Accounting Policy - note 4	(2,315,979)	
Equity, End of Year	**130,375,652**	**129,273,879**

See accompanying notes

THE NIAGARA PARKS COMMISSION
STATEMENT OF OPERATIONS

STATEMENT 3

for the year ended October 31, 2001

	2001 $	2000 $
Income		
Gift shops, restaurants and attractions - Schedule 1	68,137,118	67,403,129
Land rent	5,299,469	5,173,479
Commissions, rentals and fees	2,739,471	2,693,053
Premium on United States funds – net	631,338	568,129
Interest	135,938	587,173
Gain on disposal of fixed assets – net	56,384	981,004
Sundry income	44,718	30,971
	70,044,436	77,436,938
Expenses		
Gift shops, restaurants and attractions - Schedule 1		
Cost of goods sold	15,539,056	15,772,037
Operating expenses	27,525,807	25,976,311
Depreciation	2,421,883	2,489,138
Maintenance	16,486,896	16,198,903
Administrative and general	5,025,846	4,671,461
Marketing and promotion	2,904,238	3,315,180
Customer service	443,773	377,096
Loan interest	314,014	
	70,661,513	68,800,126
Net Income for the Year before Depreciation of Non-Income Producing Assets	6,382,923	8,636,812
Depreciation of Non-Income Producing Assets	2,965,171	2,715,104
Net Income for the Year	**3,417,752**	**5,921,708**

See accompanying notes

THE NIAGARA PARKS COMMISSION
STATEMENT OF CASH FLOWS

STATEMENT 4

For the year ended October 31, 2001

	2001 $	2000 $
Operating Activities		
Net income for the year	3,417,752	5,921,708
Charges against income not requiring an outlay of funds		
- depreciation	5,494,475	5,310,469
- gain on disposal of fixed assets – net	(15,318)	(981,004)
	8,896,909	10,251,173
Net change in non-cash working capital balances related to operations - note 7	2,905,490	4,006,941
Funds provided by operating activities	11,802,399	14,258,114
Investing Activities		
Fixed asset acquisitions	(20,140,315)	(27,718,468)
Proceeds on sale of fixed assets	279,919	1,130,601
Funds used by investing activities	(19,860,396)	(26,587,867)
Financing Activities		
Repayment of long-term debt	(300,000)	(300,000)
Increase in post-employment benefits	255,230	
Funds used by financing activities	(44,770)	(300,000)
Decrease in Cash Position	(8,102,767)	(12,629,753)
Cash Position, Beginning of Year	9,596,381	22,226,134
Cash Position, End of Year	**1,493,614**	**9,596,381**

See accompanying notes

THE NIAGARA PARKS COMMISSION
SCHEDULE OF OPERATIONS
GIFT SHOPS, RESTAURANTS, AND ATTRACTIONS

SCHEDULE 1

for the year ended October 31, 2001

	2001 $	2000 $
Income		
Souvenirs, china and post card	25,433,308	25,538,661
Food and refreshments	15,148,458	15,370,415
Beer, liquor and wine	1,680,357	1,733,339
Confectionery	3,145,907	3,147,261
Fares and admission	21,404,860	20,374,193
Rentals	371,778	390,838
Sundry	952,450	848,422
	68,137,118	67,403,129
Cost of Goods Sold		
Souvenirs, china and post cards	9,533,463	9,612,846
Food and refreshments	4,022,544	4,167,341
Beer, liquor and wine	454,663	481,176
Confectionery	1,239,169	1,250,886
Sundry	289,217	259,788
	15,539,056	15,772,037
Gross Profit	52,598,062	51,631,092
Operating Expenses		
Salaries and wages	12,699,555	12,875,382
Employee benefits	2,348,901	2,465,782
Advertising	767,914	745,958
Fuel, power, water and laundry	1,171,656	868,685
General	3,577,535	3,280,734
Maintenance of buildings, equipment and vehicles	2,511,433	2,585,832
Maintenance of grounds	2,402,632	800,335
Grants in lieu of municipal taxes	808,167	1,011,157
Distribution Centre expense	1,238,014	1,342,446
	27,525,807	25,976,311
Net Income before Depreciation	25,072,255	25,654,781
Depreciation of Income Producing Assets	2,421,883	2,489,138
Net Income Exclusive of any Portion of the Administrative Overhead of the Commission	**22,650,372**	**23,165,643**

See accompanying notes

THE NIAGARA PARKS COMMISSION
NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2001

1. Significant Accounting Policies

Basis of accounting

The financial statements of the Commission are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventories

Inventories of saleable merchandise are valued at lower of cost (first-in, first-out) and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 20 per cent for buildings, roadways and structures, 10 to 25 per cent for equipment and furnishings and from 8 to 40 per cent for vehicles.

2. Fixed Assets

	Cost	Accumulated Depreciation	2001	2000
	$	$	$	$
Land	13,555,108		13,555,108	13,555,108
Buildings, roadways and structures	127,711,786	46,201,994	81,509,792	78,708,149
Equipment and furnishings	19,227,049	12,587,440	6,639,609	6,294,360
Vehicles	8,041,380	6,580,274	1,461,106	1,399,591
	168,535,323	65,369,708	103,165,615	99,957,208
Capital works in progress	32,910,832		32,910,832	21,738,000
	201,446,155	**65,369,708**	**136,076,447**	**121,695,208**

As at October 31, 2001, Capital Works in Progress includes approximately $ 31,800,000 related to the new "Legends on the Niagara" golf course complex. The Commission anticipates that this project will be completed in the spring of 2002 – see note 5.

THE NIAGARA PARKS COMMISSION
NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2001

3. Mortgage Payable

	2001 $	2000 $
Mortgage payable, repayable in annual installments of $ 300,000, interest free, maturing January, 2002, secured by certain lands owned by the Commission	300,000	600,000
Portion due within one year	(300,000)	(300,000)
		300,000

4. Post-Employment Benefits

Effective November 1, 2000, the Commission adopted the Canadian Institute of Chartered Accountants new accounting standards for post-employment benefits. The Commission recognizes these costs in the period in which the employers rendered the services. The change in accounting policy was applied retroactively, without restatement.

The Commission provides a defined employee future benefit, payable on termination to certain full-time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full-time service provided to the Commission. See note 9 for other post-employment benefits.

Defined Benefit Plan Information	2001 $	2000 $
Employee benefit plan assets		
Employee benefit plan liabilities	2,571,209	
Employee benefit plan deficit	**2,571,209**	
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of the year	2,315,979	
Expense for the year	327,952	
Benefits paid during the year	(72,722)	
Benefit obligation, end of year	**2,571,209**	

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (Discount) Rate – The accrued obligation as at November 1, 2000 and the expense for the year ending October 31, 2001 were determined using a discount rate of 6%.

Salary Levels – Future salary and wage levels were assumed to increase at 4% per annum.

THE NIAGARA PARKS COMMISSION
NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2001

5. Commitments

The Commission is committed to spending approximately $ 5,414,000 on capital projects in the next year. These costs include approximately $ 1,700,000 related to the completion of the new "Legends on the Niagara" golf course complex anticipated to be completed in the spring of 2002 – see note 2.

6. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

7. Statement of Cash Flows

Changes in working capital components include:

	2001 $	2000 $
Accounts receivable	(941,039)	(181,450)
Inventories	(54,794)	433,403
Prepaid expenses	120,613	(117,797)
Bank Loan	3,000,000	
Accounts payable and accrued payroll	780,710	3,872,785
	2,905,490	**4,006,941**

Interest

	2001 $	2000 $
Interest received	**135,938**	**587,173**
Interest paid	**298,644**	

8. Operating Leases

The Commission leases vehicles and equipment under operating leases expiring in various years through 2005. The total obligation under operating leases amounts to approximately $ 2,585,564.

Future payments for each of the next four years are as follows:

	$
2002	722,070
2003	687,157
2004	656,827
2005	519,510

THE NIAGARA PARKS COMMISSION
NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2001

9. Other Post-Employment Benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund). These are multi-employer plans established by the Province of Ontario.

The Commission's obligations related to the PSPF and OPSEU Pension Fund was $ 1,140,146 (2000 - $ 1,197,209) and is included in the administrative and general expenses in the Statement of Operations and employee benefits in the Schedule of Operations - Gift Shops, Restaurants and Attractions.

The cost of post-employment, non-pension benefits are paid by the Management Board Secretariat and are not included in the Statement of Operations.

See note 4 for details on the Commission's defined employee future benefit plan.

10. Financial Instruments

Credit Risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency Risk

The Commission realizes approximately 18.71% (2000 - 17.26%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash Flow Risk

The Commission has a bank loan payable bearing interest at prime - 0.5%. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

11. Related Party Transactions

The Commission exercises significant influence over the Niagara Parks Foundation by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation is incorporated under the Ontario Corporations Act and is a registered charity under the Income Tax Act. The purpose of the Foundation is to promote conservation, environmental, historical, performing arts, and musical initiatives within the lands of Niagara Parks Commission. Net resources of the Foundation amounted to $ 35,558.

The net assets and results of operations of the Foundation are not included in the statements of the Commission. Separate financial statements of the Foundation are available upon request.

12. Surplus Funds

Pursuant to Section 16(2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the Consolidated Revenue Fund.

THE NIAGARA PARKS COMMISSION

PUBLIC SECTOR SALARY DISCLOSURES

Employees Paid $100,000 or more in 2000

Prepared in accordance with the Public Sector Salary Disclosure Act, 1996

Record of Employees' 2000 Salaries and Benefits

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
John Kernahan	General Manger	$127,731.52	$8,760.89
Robert Brooker	Assistant General Manager	$117,091.50	$ 330.82
Robert McIlveen	Senior Director – Community Services	$100,185.32	$ 283.06
Nicholas Murphy	Senior Director – Technical Services	$100,185.32	$ 283.06
Alois Poltl	Senior Director – Food Services	$100,185.32	$ 978.56

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of Ontario

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Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment
and to the Minister of Finance

I have audited the balance sheet of the Ontario Clean Water Agency as at December 31, 2001 and the statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Erik Peters

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
March 27, 2002

ONTARIO CLEAN WATER AGENCY

Balance Sheet
as at December 31, 2001

(in thousands of dollars)

	2001	**2000**
Assets		
Current assets:		
Cash and cash equivalents	**$132,355**	$136,347
Accounts receivable, net		
Municipalities and other customers	**18,946**	17,212
Ministry of the Environment	**4**	232
Waterworks Remediation (note 3)	**2,784**	7,358
Goods and services tax receivable	**572**	545
Prepaids	**358**	226
Current portion of investments receivable:		
Water and wastewater facilities (note 4)	**1,930**	1,839
Facilities under construction (note 5)	**5,381**	2,675
	162,330	166,434
Non-current assets		
Investments receivable for water and wastewater facilities (note 4)	**52,859**	53,223
Investments receivable for facilities under construction (note 5)	**2,357**	5,845
Loans receivable - Top-up loan (note 6)	**636**	713
Provincial assistance advances (note 7)	**3,129**	3,143
Fixed assets, net (note 8)	**9,447**	8,426
	68,428	71,350
Total Assets	**$230,758**	$237,784

See accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY

Balance Sheet
as at December 31, 2001

(in thousands of dollars)

	2001	2000
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$21,237**	$22,911
Current portion of long-term liabilities (note 11)	**1,000**	1,000
	22,237	23,911
Long-term liabilities:		
Municipal contributions payable (note 10)	**720**	1,597
Employee benefits (note 11)	**6,621**	6,455
	7,341	8,052
Equity of Ontario:		
Contributed surplus (note 13)	**104,065**	105,712
Retained earnings	**97,115**	100,109
	201,180	205,821
Contingencies (note 14)		
Total Liabilities and Equity	**$230,758**	$237,784

See accompanying notes to financial statements

On behalf of the Board

GL Biggs
Director

Director

ONTARIO CLEAN WATER AGENCY

Statement of Income and Retained Earnings
For the year ended December 31, 2001

(in thousands of dollars)

	2001	2000
Utility Operations Revenues:		
Utility operations	$110,782	$103,510
Fees	1,597	2,020
Total Operating Revenues	112,379	105,530
Operating Expenses:		
Salaries and benefits (note 11)	36,918	33,439
Other operating expenses	76,004	67,393
Amortization of fixed assets	1,592	2,003
Provision for operating losses	470	790
Electronic Operating Systems (note 1c)	7,430	13,282
Total Operating Expenses	122,414	116,907
Net Loss - Utility Operations	(10,035)	(11,377)
Financing Revenues:		
Revenues from investments	10,840	12,352
Interest on facilities under construction	287	242
Total Financing Revenues	11,127	12,594
Financing Expenses:		
Interest	75	111
Loan administration expenses	1,041	965
Provision for losses	1,000	257
Amortization of fixed assets	60	60
Total Financing Expenses	2,176	1,393
Net Income - Financing	8,951	11,201
Net Loss for the Period Before Property Transfer Initiative and Walkerton Inquiry Costs	(1,084)	(176)
Property Transfer Initiative (note 15)	(66)	(550)
Walkerton Inquiry Costs (note 16)	(674)	-
Net Loss for the Period	(1,824)	(726)
Retained earnings, opening balance	100,109	100,835
Workers Compensation Benefits (note 11)	(1,170)	-
Retained earnings, ending balance	$97,115	$100,109

See accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY

Statement of Cash Flows
For the year ended December 31, 2001

(in thousands of dollars)

	December 31, 2001	December 31, 2000
Cash provided by (used for)		
Operating activities:		
Net Loss	**($1,824)**	($726)
Items not affecting cash:		
Amortization of fixed assets	**1,652**	2,063
	(172)	1,337
Changes in non-cash operating working capital		
- Accounts receivable	**2,813**	(15,112)
- Prepaids	**(132)**	(93)
- Accounts payable and accrued liabilities	**(1,674)**	3,914
- Ministry of the Environment	**228**	1,899
	1,235	(9,392)
Net cash flows from operating activities	**1,063**	(8,055)
Financing Activities:		
Decrease in investments receivable for water and wastewater facilities	**273**	3,404
Decrease in investments receivable for facilities under construction	**782**	4,606
Decrease in municipal contributions payable	**(877)**	503
Increase in long-term employee benefits payable	**(1,004)**	(228)
Decrease in provincial assistance advances receivable	**14**	2,632
Decrease in loans receivable - Top-up loan	**77**	71
Decrease in contributed surplus	**(1,647)**	(548)
Net cash flows from financing activities	**(2,382)**	10,440
Fixed assets - acquired	**(2,673)**	2,556
(Decrease)/Increase in Cash	**(3,992)**	4,941
Cash and Cash Equivalents, Opening Balance	**136,347**	131,406
Cash and Cash Equivalents, Ending Balance	**$132,355**	$136,347

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

GENERAL:

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services so as to protect human health and the environment, encourage conservation of water resources and support Provincial policies for land use and settlement.

In accordance with the provisions of the Act, the Agency is incorporated under the laws of Ontario. The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies which are of significance to the Agency.

(a) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include $117 million invested with the Province of Ontario Savings Office.

(b) Fixed assets:

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Amortization is provided using the declining balance method with a half year provision in the year of purchase if the asset is available for use. Fixed assets are being amortized at annual rates as follows:

Automotive equipment	25%
Furniture and fixtures	20%
Computer hardware	33.33%
Computer software	50%
Machinery and equipment	20%
Leasehold improvements	Life of the lease

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

1. **SIGNIFICANT ACCOUNTING POLICIES: (Cont'd)**

(c) **Electronic Operating Systems**

As approved by the Board of Directors, the Agency continues to reflect spending on Electronic Operating Systems (OCWAware) as an operating expense in the year in which it is incurred.

(d) **Investments receivable for facilities under construction:**

Interest on borrowings and other incremental expenditures relating to facilities are capitalized during the construction period. The rate of interest is set at the start of the fiscal year by the Ontario Financing Authority.

(e) **Utility operations:**

A portion of the contractual arrangements with clients for the operation of water and wastewater treatment facilities provides for the recovery of all costs incurred in their operations plus a management fee. Revenue is recognized at the time such costs are incurred even though agreements may provide for the collection of a portion of those costs in future years. Accordingly, costs incurred in excess of amounts billed and to be recovered in future years are classified as "Investments receivable in water and wastewater facilities".

(f) **Use of estimates:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. **FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued liability approximates fair value due to the short-term maturities of these instruments. Due to prepayment options, the carrying value of the balance of the financial assets and long-term liabilities approximates their fair value.

3. **WATERWORKS REMEDIATION**

In 2000, the Agency responded to the request from the Province of Ontario to provide remediation services for the Town of Brockton (Walkerton). At December 31, 2001, $2.8 million of these costs have been reflected as Waterworks Remediation Receivable.

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

4. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES:

(a) These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed. In addition, it includes capitalized interest on certain facilities that will be collected from clients during future years. Investments receivable for water and wastewater facilities are recorded at the lesser of both the outstanding principal and other capitalized amounts, and net realizable value.

(b) The investments receivable are supported by agreements which bear interest at rates between 5.07% and 13.69%. Scheduled principal repayments of the investments are as follows:

(in thousands of dollars)	
2002	$ 1,930
2003	2,069
2004	2,218
2005	2,378
2006	2,550
Thereafter	43,644
	54,789
Less: Current portion	1,930
	$ 52,859

5. INVESTMENTS RECEIVABLE FOR FACILITIES UNDER CONSTRUCTION:

(a) "Investments receivable for facilities under construction" represent new water and wastewater facilities or major capital improvements to existing facilities that have been undertaken by the Agency on behalf of its clients. Annually, the net recoverable amount from the customer is transferred to "Investments receivable for water and wastewater facilities". Certain clients pay the entire balance of their amount, accumulated as facilities under construction, within one year.

(b) In the current period, the Agency capitalized interest amounting to $0.3 million (2000 - $0.2 million) to investments receivable for facilities under construction.

ONTARIO CLEAN WATER AGENCY

December 31, 2001
Notes to Financial Statements

6. LOANS RECEIVABLE - TOP-UP LOANS:

The Agency made loans to municipalities to finance water and wastewater facilities that have received provincial assistance under the Municipal Assistance Program. The loans were made for terms of up to 20 years at interest rates between 8.1% and 8.85% set by the Province at the time the loan was granted.

7. PROVINCIAL ASSISTANCE ADVANCES:

The agency finances the construction of certain facilities on behalf of municipalities. A portion of the construction costs are eligible for provincial assistance grants provided by the Ministry of the Environment.

8. FIXED ASSETS:

(in thousands of dollars)	Cost	Accumulated Amortization	Net Dec. 31, 2001	Net Dec 31, 2000
Furniture and fixtures	$ 1,556	$ (817)	$ **739**	$ 731
Automotive equipment	95	(42)	**53**	51
Computer hardware	4,992	(3,392)	**1,600**	1,358
Computer software	2,339	(1,809)	**530**	452
Leasehold improvements	6,197	(1,280)	**4,917**	4,877
Machinery and equipment	559	(215)	**344**	681
	15,738	$ (7,555)	**8,183**	8,150
Capital Work in Progress	1,264	-	**1,264**	276
	$ 17,002	$ (7,555)	$ **9,447**	$ 8,426

ONTARIO CLEAN WATER AGENCY
December 31, 2001
Notes to Financial Statements

9. LEASE COMMITMENTS:

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

(in thousands of dollars)	
2002	$ 1,429
2003	1,280
2004	1,205
2005	1,011
2006	700
Thereafter	1,440
	$ 7,065

10. MUNICIPAL CONTRIBUTIONS PAYABLE:

(in thousands of dollars)	**Dec. 31, 2001**	Dec. 31, 2000
Municipal contributions held for future repairs	$ **1,812**	$ 2,226
Municipal operating expense (repayment) prepayments	**(1,092)**	(629)
	$ **720**	$ 1,597

At December 31, 2001, the Agency held funds that will be used for future repairs amounting to $1.8 million (2000 - $2.2 million). The $1.8 million is included in cash and short-term investments.

11. EMPLOYEE FUTURE BENEFITS:

The Agency is responsible for the accrued employee termination payments.

The costs of these employee future benefits have been estimated to amount to $7.6 million (2000 - $7.5 million) of which $1.0 million has been classified as current liability. The amount accrued in 2001 was $0.6 million (2000 - $0.6 million) and is included in salaries and benefits expense in the Statement of Income and Retained Earnings.

Also effective January 1, 2001, the Agency recognized its workers compensation obligation in the amount of $1.2 million for the prior period ending December 31, 2000. This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2000. This is the first year of recognizing this

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

11. EMPLOYEE FUTURE BENEFITS: (Cont'd)

obligation in accordance with the Canadian Institute of Chartered Accountants new recommendations for accounting for employee future benefits. These new recommendations have been adopted on a retroactive basis without restatement. The impact on prior years has been reflected as an adjustment to opening retained earnings. The valuation at December 31, 2001 is not expected to be ready until after the date of the financial statements preparation. It is management's opinion that the balance at December 31, 2001 will not be materially different.

The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the Statement of Income and Retained Earnings.

12. PENSION PLAN:

The agency provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Agency's contribution related to the pension plans for the period was $1.9 million (2000 - $1.8 million) and is included in salaries and benefits in the Statement of Income and Retained Earnings.

13. CONTRIBUTED SURPLUS:

The opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed. Included in the closing balance are the following:

(in thousands of dollars)	December 31, 2001	December 31, 2000
Opening balance, January 1	$105,712	$106,260
Adjustments to opening balance	(1,647)	(548)
	$104,065	$105,712

The adjustment to the opening balance relates to repair and maintenance costs that were agreed to prior to the establishment of the Agency. Of the total $7.5 million committed for such repair and maintenance, a cumulated $4.7 million has been spent.

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

14. CONTINGENCIES:

Litigation

The Agency is the defendant in a number of lawsuits. In most instances, these actions relate to the period prior to the establishment of the Agency on November 15, 1993. Some of these claims are covered by insurance after the application of a deductible, ranging from $2,500 to $50,000, depending on when the event of the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time. Losses, if any, will be accounted for in the period of settlement.

15. PROPERTY TRANSFER INITIATIVE:

In 1997, the Province passed legislation requiring the transfer of ownership of water and wastewater facilities from the Agency to municipalities. The Property Transfer Initiative captures all real estate conveyance costs associated with the title transfers. To date, $4.5 million has been spent and an additional $0.156 Million is expected to be spent and will be recorded in the period of the transfer. The transfers must be completed by the year 2004.

16. WALKERTON INQUIRY COSTS

The Ontario Clean Water Agency incurred on behalf of the Province of Ontario $0.674 million for expenses related to the Walkerton public Inquiry.

17. RELATED PARTY TRANSACTIONS:

As a result of the relationship of the Agency with the Province, the following related party transactions exist and have been disclosed in the notes to the financial statements:

(a) Transactions with the Ministry of the Environment

(b) Transactions with the Province of Ontario Savings Office

(c) Transactions with the Management Board Secretariat

ONTARIO CLEAN WATER AGENCY

December 31, 2001

Notes to Financial Statements

18. SALARIES:

The "Public Sector Salary Disclosure Act, 1996" requires disclosure of Ontario public-sector employees paid an annual remuneration in excess of $100,000. The amounts paid by OCWA in 2001 are listed below:

Name	Position	Remuneration Paid	Taxable Benefits
Paul Scott	President and Chief Executive Officer*	$154,479	$331
Michael Brady	General Counsel	$178,235	$363
Robin Kind	Legal Counsel	$150,338	$298
Lauren Sasaki	Legal Counsel	$109,691	$217
Louise Wickson	V.P., Finance and Corporate Services	$110,330	$253
Dante Pontone	Chief Information Officer	$101,432	$242

*Leave of absence effective November 16, 2001

19. COMPARATIVE FIGURES

The December 31, 2000 comparative figures have been reclassified where necessary to conform to the current year's presentation.

Ontario Development Corporation

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by Management and, where appropriate, include amounts based on Management's best estimates and judgments.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets periodically to oversee the financial activities of the Corporation and at least annually to review the financial statements and the external auditor's report thereon.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with the accounting policies described in the notes to the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Peter Spik
Director of Operations

June 28, 2002

Office of the Provincial Auditor of Ontario

Auditor's Report

To Ontario Development Corporation
and to the Minister of Enterprise, Opportunity and Innovation

I have audited the balance sheet of the Ontario Development Corporation as at March 31, 2002 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

Toronto, Ontario
June 5, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 2002

		March 31 2002 $	March 31 2001 $
		[in thousands]	
ASSETS			
Loans receivable	[note 3]	5,525	10,618
Equity investments	[note 3]	1,395	1,782
		6,920	12,400
Cash and short-term deposits		7,451	9,503
Accounts receivable		379	476
Total assets		14,750	22,379
LIABILITIES			
Accounts payable - current		152	355
Accounts payable - long term	[note 1a]	2,490	2,078
Provision for guarantee losses	[note 3]	500	1,000
		3,142	3,433
Guarantees	[note 5]		
INVESTMENT BY THE PROVINCE OF ONTARIO			
Share capital and other net investment		11,608	18,946
Total liabilities and investment by the Province		14,750	22,379

See accompanying notes to financial statements

On behalf of the Board:

Chair **Director**

ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the Year ended March 31, 2002

		March 31 2002 $	March 31 2001 $
		[in thousands]	
INTEREST & INVESTMENT INCOME			
Interest on loans		1,142	1,790
Gains on equity investments		298	69
Interest on short-term deposits		239	991
		1,679	2,850
Industrial parks (net)	[note 2c]	-	332
Gross operating income		1,679	3,182
RECOVERY OF CREDIT & INVESTMENT LOSSES	[note 3 and 4]	10,526	11,862
ADMINISTRATION	[note 6]	(2,938)	(4,694)
Net operating income		9,267	10,350

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Investment by the Province of Ontario as at March 31, 2002

	March 31 2002 $	March 31 2001 $
	[in thousands]	
Investment by the Province, beginning of year:		
Share capital	7,000	7,000
Net investment other than share capital	11,946	39,176
	18,946	46,176
Net investment by (returned to) the Province:		
Operating income	9,267	10,350
Contribution for administration expenses	2,527	4,158
Prior year costs recovered, net of contributions for guarantee and program costs	(2,977)	(2,418)
Repayments/proceeds from loans and investments	(13,155)	(23,432)
Transfer of industrial parks [note 2c]	-	(10,888)
Other repayments	(3,000)	(5,000)
	(7,338)	(27,230)
Investment by the Province, end of year		
Share capital	7,000	7,000
Net investment other than share capital	4,608	11,946
Investment by the Province of Ontario	11,608	18,946

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the Year ended March 31, 2002

	March 31 2002 $	March 31 2001 $
	[in thousands]	
LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES		
Loan collections	12,275	14,491
Proceeds from equity and royalty investments	514	1,366
Guarantee recoveries net of guarantees honoured	2,922	1,957
Capital asset additions	-	(226)
Net cash inflow from lending, investing and financial assistance activities	15,711	17,588
FINANCING ACTIVITIES		
Repayments to the Province	(19,132)	(30,850)
Contribution from the Province	2,726	4,337
Net cash outflow from financing activities	(16,406)	(26,513)
OPERATING ACTIVITIES		
Interest received on short-term deposits	279	1,016
Interest collected on loans	1,142	1,790
Administration expenses	(2,719)	(4,201)
Operating cash flow from industrial parks	-	1,650
Other	(59)	(156)
Net cash inflow from operating activities	(1,357)	99
Decrease in cash and short-term deposits	(2,052)	(8,826)
Cash and short-term deposits, beginning of year	9,503	18,329
Cash and short-term deposits, end of year	7,451	9,503

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements
Year Ended March 31, 2002

1. GENERAL

(a) The Development Corporations

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and to wind down their activities over a period of years. The Development Corporations consisted of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation. Their primary objective was to encourage and assist the development and diversification of industry in Ontario by providing financial assistance in the form of loans, guarantees and direct ownership.

The portfolios and responsibilities of the Development Corporations were transferred to Ontario Development Corporation during the year ended March 31, 1999.

Since May 1998, the Ontario Development Corporation has used a private-sector asset manager to fulfil its responsibilities for managing and administering its term-loan portfolios (net book value of $5.5 million at March 31, 2002) and its commercial guarantee portfolios ($3.6 million at March 31, 2002). The agreement made with the asset manager entitles them to a share of the net collections in excess of total net collections originally contemplated by the Ontario Development Corporation. An interim shared benefit pool for the term-loan portfolio is calculated and paid quarterly, subject to a 15% holdback. The holdback will be paid when no more than $3 million of the outstanding book value of all managed portfolios remains uncollected. An interim shared benefit pool has also been calculated for the commercial guarantee portfolio, which will be paid when no more than $2.5 million in guarantees remains outstanding. "Accounts Payable - long term" represents the shared benefit pool liability for the term-loan portfolios and commercial guarantee portfolios.

(b) Ontario Development Corporation

Ontario Development Corporation is incorporated with share capital under the *Development Corporations Act*. As an Ontario Crown Corporation, the Corporation is exempt from income taxes under the *Canadian Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

As the Corporation is being wound down, provisions have been made to reduce the carrying value of its assets to their estimated realisable values and to reflect the liabilities at their estimated settlement values. Since the Corporation is a going concern, revenue and expenses are accounted for as incurred.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(b) Revenue recognition

Interest income is recognised on the accrual basis, except for certain loans that permit the borrower to defer interest payments. For these loans, interest income that accrues during the deferred payment period is recognised at the end of the deferral period.

(c) Capital assets - industrial parks

The industrial parks owned by the Corporation were transferred to Management Board of Cabinet during the prior year. The transfers were recorded by the Corporation using the net book values as of the dates of transfer and are reported as a return of investment for the prior year ended March 31, 2001 on the Statement of Investment by the Province of Ontario.

(d) Contributions from the Province of Ontario

Contributions from the Province of Ontario are reflected on the Statement of Investment by the Province of Ontario as a component of the Province's net investment, and are not reported as income on the Statement of Operations.

(e) Activities managed and administered

The balance sheet reflects loans and investments made by the Corporation and loans administered by the Corporation for ministries and other agencies where the Corporation has signed the loan agreement. The statement of operations reflects administration expenses for all portfolios administered by the Corporation.

All activities managed and administered by the Corporation are summarized in note 7.

(f) Use of estimates in financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2002

3. PROVISIONS FOR LOSSES

The amounts recorded on the Balance Sheet for loans receivable and equity investments are net of the following provisions:

	March 31 2002 $	March 31 2001 $
	[in thousands]	
Loans receivable	3,000	3,000
Equity investments	1,500	1,500
Total	**4,500**	**4,500**

Provision for guarantee losses is recorded on the Balance Sheet as a liability.

4. RECOVERY OF CREDIT AND INVESTMENT LOSSES

Recovery of credit and investment losses for the year ended March 31, 2002 and the year ended March 31, 2001 comprise the following:

	Loans $	Equity Investments $	Venture Guarantees $	Commercial Guarantees $	Total $
			[in thousands]		
Recoveries	7,553	80	1,200	1,842	10,675
Decrease in general provision	-	-	-	500	500
Less write-downs and costs	(371)	(251)	-	(27)	(649)
Net Recovery– year ended March 31, 2002	**7,182**	**(171)**	**1,200**	**2,315**	**10,526**
Net Recovery – year ended March 31, 2001	**7,451**	**(17)**	**2,160**	**2,268**	**11,862**

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2002

5. CONTINGENT LIABILITIES FOR GUARANTEES

The Corporation has guaranteed the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. Under the guarantee programs administered for ministries and other agencies of the Province, the funding for guarantees honoured is provided by those ministries and agencies. See also notes 3, 4 and 7.

Contingent liabilities for loan guarantees as at March 31, 2002 and March 31, 2001 are as follows:

	March 31 2002 $	March 31 2001 $
	[in thousands]	
Ventures program	-	206
Commercial guarantees	3,639	5,400
	3,639	**5,606**

Guarantees under the Ventures program have now expired. Commercial guarantees expire between 2002 and 2010.

6. ADMINISTRATION EXPENSES

Administration expenses for the year ended March 31, 2002 and the year ended March 31, 2001 are as follows:

	March 31 2002 $	March 31 2001 $
	[in thousands]	
Salaries and benefits	605	625
Transportation, communication and supplies	14	33
Asset management services [note 1a]	2,158	3,869
Other services	161	167
	2,938	**4,694**

The Corporation provides pension benefits for its employees through participation in the Public Service Pension Fund and The Ontario Public Service Employees' Union Pension Fund. The Corporation's share of contributions to the pension plans for the year ended March 31, 2002 was $32,000 [year ended March 31, 2001 - $52,000] and is included above as benefits. The decrease in contributions is due to the Corporation having fewer employees and to a special pension payment in the prior year.

The Province funds administration expenses paid by the Corporation.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2002

7. ACTIVITIES MANAGED AND ADMINISTERED BY THE CORPORATION

In addition to managing its own affairs, the Corporation administers loans, debentures, equity investments and grants on behalf of other ministries and agencies of the Province. The activities of the Corporation are summarised in the following schedule.

	March 31 2002 $	March 31 2001 $
	[in thousands]	
Loans and investments as reported on balance sheet:		
Loans receivable (net of provisions)	5,525	10,618
Equity investments (net of provisions)	1,395	1,782
	6,920	12,400
Loans guaranteed	3,639	5,606
Total loans, investments and guarantees of the Corporation	10,559	18,006
Portfolios administered for ministries & other agencies: (no provisions are recorded by the Corporation)		
Loans receivable where the Corporation has not signed the loan agreement	26,094	33,279
Repayable grants/conditional loans	13,218	15,022
Total portfolios administered for ministries and other agencies	39,312	48,301
Total portfolios managed and administered	**49,871**	**66,307**

8. COMPARATIVES

The 2001 comparatives have been reclassified to conform to the 2002 financial statement presentation.

Ontario Development Corporation

Provincial legislation requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Ontario Development Corporation, this disclosure is as follows:

Peter Spik	Director of Operations	$ 102,308

ONTARIO LOTTERY AND GAMING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgements and estimates in accordance with Canadian generally accepted accounting principles.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their application, on an ongoing basis. As well, Grant Thornton LLP and KPMG LLP, the Corporation's independent external auditors, appointed by the Board of Directors, are responsible for the audit of the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit and Risk Management Committee. This Committee, which reports to the Board, meets periodically with management, internal audit and the external auditors. The internal and external auditors have free and independent access to this Committee.

Ron D. Barbaro
Chair and Chief Executive Officer

E. T. Dalton, C.A.
Chief Financial Officer and
Senior Vice-President,
Finance and Administration

AUDITORS' REPORT

To the Board of Directors of Ontario Lottery and Gaming Corporation
and to the Ministry of the Attorney General

We have audited the consolidated balance sheet of Ontario Lottery and Gaming Corporation as at March 31, 2002 and the consolidated statements of operations, net income to the Province of Ontario, cash flows, changes in Due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

May 17, 2002

Grant Thornton LLP

Chartered Accountants

Sault Ste. Marie, Canada

May 17, 2002

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED BALANCE SHEET

As at March 31, 2002
(in thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 543,059	$ 463,325
Accounts receivable	60,354	43,577
Prepaid expenses and other	44,085	34,842
	647,498	541,744
Pre-opening and deferred development expenditures (Note 3)	50,365	90,623
Loans receivable (Note 4)	49,492	57,307
Capital assets (Note 5)	1,351,840	1,216,460
Assets contributed to Chippewas of Mnjikaning and deferred charges (Note 6)	18,902	17,257
Cash and short-term investments held for First Nations (Note 7)	30,691	2,687
	$ 2,148,788	**$ 1,926,078**
Liabilities and Provincial Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 248,161	$ 213,324
Due to operators (Note 8)	47,947	57,460
Due to Chippewas of Mnjikaning (Note 8)	17,532	11,977
Due to Government of Canada	30,758	36,836
Deferred revenues	10,309	8,415
Current portion of long-term debt (Note 9)	18,656	6,856
	373,363	334,868
Due to First Nations (Note 7)	22,973	-
Long-term debt (Note 9)	167,904	43,656
Provincial equity:		
Due to Province of Ontario	265,018	266,247
Reserves (Note 2)	154,250	115,359
Equity in capital assets	1,165,280	1,165,948
	1,584,548	1,547,554
	$ 2,148,788	**$ 1,926,078**

Commitments (Notes 4, 8 and 10)
Contingencies (Note 11)

See accompanying notes to consolidated financial statements

On behalf of the Board:

Barbaro

Ron D. Barbaro

Chair and Chief Executive Officer

Hugh Nichol.

Hugh W. Nichol, Director

ONTARIO LOTTERY AND GAMING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Revenues:		
Lotteries	$ 2,111,703	$ 2,157,159
Commercial casinos	1,719,693	1,779,960
Charity casinos	378,200	309,953
Racetrack slot operations	1,263,056	1,014,885
	5,472,652	**5,261,957**
Direct operating expenses:		
Lotteries	1,439,532	1,449,262
Commercial casinos	1,270,338	1,328,095
Charity casinos	230,584	185,243
Racetrack slot operations	614,795	489,666
	3,555,249	**3,452,266**
Income before the undernoted:	**1,917,403**	**1,809,691**
Interest and other income, net	61,807	83,090
Net income	**$ 1,979,210**	**$ 1,892,781**

Segmented information (Note 12)

See accompanying notes to consolidated financial statements

ONTARIO LOTTERY AND GAMING CORPORATION
CONSOLIDATED STATEMENT OF NET INCOME TO THE PROVINCE OF ONTARIO

Year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Net income	**$ 1,979,210**	**$ 1,892,781**
Plus Win tax (Note 14)	360,667	366,558
Less Casino Rama net income	(111,323)	(105,576)
Net income to the Province of Ontario	**$ 2,228,554**	**$ 2,153,763**

See accompanying notes to consolidated financial statements

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Cash derived from (applied to):		
Operations:		
Net income	$ 1,979,210	$ 1,892,781
Amortization	169,762	179,588
Loss (gain) on disposal of capital assets	(36)	2,470
Unrealized foreign exchange loss (gain)	(3,070)	815
Change in non-cash operating working capital	675	30,509
	2,146,541	2,106,163
Financing:		
Increase in long-term debt	142,904	43,656
Repayments of long-term debt	(6,815)	(9,334)
	136,089	34,322
Investing:		
Pre-opening and deferred development expenditures	(9,692)	(46,543)
Loans receivable	7,815	5,140
Capital expenditures, net	(261,448)	(249,144)
Proceeds on disposal of capital assets	2,447	3,626
Deferred charges	198	(1,928)
	(260,680)	(288,849)
Other:		
Payments to Province of Ontario	(1,857,051)	(1,799,815)
Distributions to First Nations	(80,134)	(489,087)
Cash and short-term investments held for First Nations, net	(5,031)	407,411
	(1,942,216)	(1,881,491)
Increase (decrease) in cash and cash equivalents	79,734	(29,855)
Cash and cash equivalents, beginning of year	463,325	493,180
Cash and cash equivalents, end of year	**$ 543,059**	**$ 463,325**
Supplemental disclosure of cash flow information		
Cash interest received	$ 15,293	$ 28,063
Cash paid for interest	6,724	2,892

See accompanying notes to consolidated financial statements

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN DUE TO PROVINCE OF ONTARIO

Year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Net income	$ 1,979,210	$ 1,892,781
Add (deduct):		
Capital expenditures, net	(262,586)	(243,048)
Amortization of capital assets	127,206	143,873
Repayments of long-term debt, net of unrealized foreign exchange	(6,856)	(8,519)
Increase in long-term debt	142,904	43,656
Distributions to First Nations	(85,165)	(78,989)
Transfers to reserves, net		
Capital renewals	(30,366)	(9,797)
Operating	(5,968)	(12,668)
Severance	(2,557)	(2,812)
	(123,388)	(168,304)
Current year amount due	1,855,822	1,724,477
Payments to Province of Ontario	(1,857,051)	(1,799,815)
Amount due less payments	(1,229)	(75,338)
Due to Province of Ontario, beginning of year	266,247	341,585
Due to Province of Ontario, end of year	**$ 265,018**	**$ 266,247**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY IN CAPITAL ASSETS

Year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Balance, beginning of year	**$ 1,165,948**	**$ 1,101,910**
Capital expenditures, net	262,586	243,048
Amortization of capital assets	(127,206)	(143,873)
Repayments of long-term debt, net of unrealized foreign exchange	6,856	8,519
Increase in long-term debt	(142,904)	(43,656)
Balance, end of year	**$ 1,165,280**	**$ 1,165,948**

See accompanying notes to consolidated financial statements.

ONTARIO LOTTERY AND GAMING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2002

(tabular amounts in thousands of dollars)

The Ontario Lottery and Gaming Corporation (OLGC) was incorporated without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, four charity casinos, The Great Blue Heron Charity Casino Slot Machine Facilities, fifteen slot operations at racetracks and three commercial casino operations in the Province of Ontario.

The Corporation conducts and manages the gaming operations of Casino Rama, including its net assets, for the benefit of the First Nations of Ontario. The excess cash flow derived from this commercial casino is distributed to a First Nations Fund. The financial results of the charity casinos include the operations of The Great Blue Heron Charity Casino Slot Machine Facilities but these financial statements do not include other operations carried out at that charity casino.

1. Significant accounting policies:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Ontario Gaming Assets Corporation and OLC Services Limited. These subsidiaries were established to purchase capital assets which are leased to the parent corporation.

In addition, the consolidated financial statements combine the financial position and results of operations of the commercial casinos at Casino Rama, Casino Niagara and Casino Windsor, and of The Great Blue Heron Charity Casino Slot Machine Facilities.

(b) Revenue recognition

Revenue for lottery games, for which results are determined based on a draw, is recognized when the draw takes place. Revenue for instant games is recognized when the ticket is activated for play by the retailer. Revenue for sports wagering games and SUPERSTAR BINGO are recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table-game operations represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less any payouts from those wagers. The retail value of accommodation, food, beverage and other items provided on a complimentary basis to customers has been included in revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in the statement of operations under direct operating expenses. Also included in promotional allowances are the player club points. These points are earned by casino and racetrack patrons based on the volume of play and are redeemable for complimentary services and/or cash rebates.

(c) Pre-opening and deferred development expenditures

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and casinos are deferred and amortized over periods ranging from one to three years, commencing with site opening.

Expenditures, consisting of compensation, consulting and other costs, incurred in connection with the development of a management information system and several other projects are deferred and amortized over a period not exceeding five years.

(d) Capital assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	25 to 50 years
Furniture and fixtures	3 to10 years
Leasehold improvements	3 to 15 years
Lottery gaming assets	3 to 4 years
Casino and racetrack slot operation gaming assets	3 to 5 years

Capital assets are amortized when brought into operations.

Construction in progress is stated at cost. Costs will be amortized commencing upon completion of the related project. Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

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(e) Assets contributed to Chippewas of Mnjikaning and deferred charges

Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the Casino Rama ground lease. Deferred charges consist of financing fees which are amortized over the term of the related debt.

(f) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of operations items are translated at the rate of exchange in effect at the transaction date. Transaction gains and losses are included in interest and other income in the period in which they arise.

(g) Derivative financial instruments

Casino Rama Inc. (CRI), a wholly owned subsidiary of the Chippewas of Mnjikaning, is party to certain derivative financial instruments, principally interest rate swap contracts, used to manage its exposure to interest rate fluctuations on the long-term debt (Note 9). These instruments are not recognized in the financial statements of the Corporation on inception. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest capitalized to construction in progress or to interest expense for completed construction projects. The fair value of the interest rate swap contracts was calculated based on market conditions at year end, supplemented with a quote from a financial institution. The fair value represents the amount that would be received (paid) to terminate or replace the contracts. There are no present plans to terminate or replace significant portions of the contracts.

(h) Concentration of credit risk

The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of cash equivalents, accounts receivable and loans receivable. Cash equivalents consist of deposits with major commercial banks. Accounts receivable includes credit provided to retailers of lottery products and patrons of commercial casinos. Loans receivable consist of loans to racetrack operators and municipalities. The Corporation performs ongoing credit evaluations of retailers, patrons, racetrack operators and municipalities and maintains reserves for potential credit losses.

(i) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, cash and short-term investments held for First Nations, accounts payable and accrued liabilities, due to operators, due to Chippewas of Mnjikaning, due to Government of Canada and long-term debt. The fair value of these financial instruments, excluding loans receivable and long-term debt approximates carrying amounts due to the short maturities of these instruments. The fair value of loans receivable and long-term debt approximates carrying value and is calculated by discounting future cash flows using rates currently available for similar terms and maturity.

(j) Use of estimates

In conformity with Canadian generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

2. **Cash and cash equivalents**:

Cash and cash equivalents includes the below noted amounts which are held in separate accounts

		2002		2001
Reserves				
Capital renewals	$	78,572	$	48,206
Operating		56,416		50,448
Severance		19,262		16,705
		154,250		115,359
Prize funds on deposit		33,288		21,723
Bank loan proceeds		61,074		-
	$	**248,612**	$	**137,082**

The Corporation has established cash reserves at the commercial casino operations in accordance with various operating agreements for the following purposes

Capital renewals reserve for capital asset additions other than normal repairs or major renovations

Operating reserve to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations

Severance reserve to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of an operator

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Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding less an estimate for prizes not expected to be claimed by players.

Further to provisions of the bank loan agreement (Note 9) a final draw of the total loan funds for the Casino Rama hotel project was made. These funds were set aside and will be drawn from as required for the completion of the hotel facility.

Cash and cash equivalents includes bank term deposits amounting to $92 914 000 (2001 - $85 155 000) at interest rates varying between 1 80% and 4 90% (2001 - 4 70% and 5 70 %).

3. Pre-opening and deferred development expenditures:

		Cost		Accumulated Amortization		2002 Net Book Value		2001 Net Book Value
Pre-opening expenditures								
Commercial casinos	$	2 824	$	1 422	$	1 402	$	8 051
Charity casinos		34 054		23 043		11 011		25 905
Racetrack slot operations		81 036		55 534		25 502		42 414
		117 914		79 999		37 915		76 370
Deferred development expenditures		17 835		5 385		12 450		14 253
	$	**135,749**	$	**85,384**	$	**50,365**	$	**90,623**

4. Loans receivable:

The Corporation has loaned funds to certain racetrack operators for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The loans are secured by first mortgages and general security agreements, and generally bear interest at the bank's prime rate, repayable over periods ranging from one to ten years. The amounts will be recovered under an agreed-upon formula from withholding of commissions that would otherwise be payable to the racetrack operators. The Corporation has also loaned funds to two municipalities for purposes of infrastructure improvements. The amounts will be recovered from the municipal commissions otherwise payable.

The Corporation is committed to loan up to a maximum of $4 875 000 to two municipalities of which $3 275 000 has been advanced at March 31 2002.

5. Capital assets:

		Cost		Accumulated Amortization		2002 Net Book Value		2001 Net Book Value
Land	$	132 245	$	-	$	132 245	$	109 231
Buildings		727 343		84 728		642 615		606 301
Furniture and fixtures		352 481		290 254		62 227		122 372
Leasehold improvements		226 192		114 509		111 683		117 899
Lottery gaming assets		109 018		108 445		573		15 731
Casino and racetrack slot operation gaming assets		327 053		55 988		271 065		183 191
Construction in progress		131 432		-		131 432		61 735
	$	**2,005,764**	$	**653,924**	$	**1,351,840**	$	**1,216,460**

During the year the Corporation capitalized interest amounting to $4 085 000 (2001 - $1 791 000)

6. Assets contributed to Chippewas of Mnjikaning and deferred charges:

		Cost		Accumulated Amortization		2002 Net Book Value		2001 Net Book Value
Assets contributed to Chippewas of Mnjikaning	$	26 878	$	11 943	$	14 935	$	15 724
Deferred charges		3 967		-		3 967		1 533
	$	**30,845**	$	**11,943**	$	**18,902**	$	**17,257**

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7. **Cash and short-term investments held for First Nations:**

The balance consists of

	2002	2001
Distributions to the segregated bank account	$ 22,832	$ -
Interest earned	141	-
	22,973	-
Distribution due to First Nations, included in accounts payable and accrued liabilities	7,718	2,687
	$ 30,691	**$ 2,687**

The Casino Rama Revenue Agreement requires that, commencing July 31, 2001, the Corporation retain 35% of the net distributions from Casino Rama in a segregated bank account if the Corporation has not received a joint direction from the Chiefs of Ontario and the Chippewas of Mnjikaning with respect to a new revenue distribution formula. The Corporation did not receive this direction and accordingly has retained 35% of the net revenue in a segregated bank account.

On June 9, 2000, the Corporation, the First Nations of Ontario and the Province of Ontario entered into a Revenue Agreement that provides for the distribution of excess cash flow, as defined, from the operation of Casino Rama. Under the agreement, the Corporation is required to distribute the excess cash flow from the operation on a monthly basis. The payment related to March 2002 is included above as Distribution due to First Nations.

8. **Related party transactions:**

(a) Under the terms of the development and operating agreements for each of the commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities, the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements.

(b) Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee of $4,500,000, adjusted for inflation, relating to provision of ongoing operating services. Other Chippewas of Mnjikaning charges amounting to $4,922,000 (2001 - $4,216,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a fifteen year lease expiring July 31, 2016, an annual rental of $667,000 for office and warehouse space is paid to a company related to the Chippewas of Mnjikaning. On April 30, 2002, an agreement was signed with the Chippewas of Mnjikaning whereby the Corporation will reimburse the Chippewas of Mnjikaning 75% of the operating budget of the fire department, as defined in the agreement, in exchange for fire protection services to the casino complex for the period of April 1, 2000 to July 31, 2011.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in the Right of Canada under a 25-year ground lease. Annual rent payable under this ground lease is $3,500,000, adjusted for inflation, and is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. Under the terms of an expansion agreement, additional annual rent of $1,700,000, adjusted annually for inflation, is payable. During the year $667,000 (2001 - $1,173,000) of this additional rent was capitalized to construction in progress.

The Chippewas of Mnjikaning is the developer of the expansion of the Casino Rama complex and included in the amounts Due to the Chippewas of Mnjikaning is $9,945,000 (2001 - $9,314,000) related to the construction.

(c) Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to 5% of the gross revenue of The Great Blue Heron Charity Casino Slot Machine Facilities in consideration for provision of the lands used for the Slot Machine Facilities.

9. **Long-term debt:**

	2002	2001
Advance from CHC Casinos Canada Limited	$ -	$ 6,856
Bank loan	186,560	43,656
	186,560	50,512
Less current portion	18,656	6,856
	$ 167,904	**$ 43,656**

(a) CHC Casinos Canada Limited, the operator of Casino Rama, advanced US$25,000,000 toward the initial development of the casino. The advance bore interest at bank prime plus 1% per annum and was repaid during the year. Interest for the year amounted to $134,000 (2001 - $887,000).

(b) The Corporation entered into an agreement relating to the expansion and renovation of Casino Rama. Under the terms of the agreement, the Chippewas of Mnjikaning are responsible for the development, construction and financing of the project. Total costs of the project have been budgeted at $265,000,000 including capitalized interest, land rent and a cultural centre contribution. In addition, Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, entered into a lending agreement which provides for a $186,560,000 non-revolving term credit facility for the project which has been advanced at March 31, 2002 (2001 - $43,656,000). The development and operating agreement for Casino Rama requires, among other things, that principal and interest payments be made from the gross revenues of the Casino Rama in nineteen quarterly principal installments of 2.5% of the initial outstanding amount and a final installment of the outstanding balance. The first installment is due on June 28, 2002.

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The bank loan bears interest at bank prime plus 1.5% up to and including June 27, 2001 and between bank prime and bank prime plus 1.5% thereafter dependent on conditions outlined in the credit facility agreement. Bank prime at March 31, 2002 is 3.75%. Interest paid during the year amounted to $6,256,000 (2001 - $1,815,000). An interest rate swap contract, which matures on June 30, 2007, was entered into with an original notional principal of $125,100,000. The balance under the contract at March 31, 2002 amounted to $111,200,000 (2001 - $41,700,000). The contract results in a fixed rate of 6.68% on the outstanding notional amount. The interest rate risk exposure is limited to the net differential, which is approximately 4% at March 31, 2002. The net interest rate receivable or payable under the contract is settled quarterly with the counter party, which is a Canadian chartered bank. The fair value of the interest rate swap contract, which represents the amount that would be (paid) / received to terminate or replace the contract as at March 31, 2002 is ($7,646,000); 2001 was $6,247,000.

As security for the funds advanced under the credit facility, a first-ranking charge over all of the Casino Rama complex's assets and all assets financed under the facility (with the exception of the certain lands acquired to accommodate expanded parking facilities and other areas) has been granted.

The principal repayments expected to be made over the next five years from the cash flow of the complex are approximately as follows:

2003	$	18 656
2004		18 656
2005		18 656
2006		18 656
2007		111,936

10. Commitments:

(a) Obligations under operating leases

The Corporation has entered into several leases for property and equipment. The future minimum lease payments are approximately as follows:

2003	$	9 647
2004		7 185
2005		5 497
2006		3 387
2007		2 792
		28 508
Thereafter		13 288
	$	41,796

Casino Niagara has entered into a lease agreement for its interim premises which expires on December 7, 2002. The Corporation is in discussions with the landlord to extend the interim casino site lease to at least July 31, 2004. It is anticipated the negotiations will be successful and included above are the minimum lease payments at the current lease rates for each of the years.

(b) Suppliers

The Corporation has computer hardware and maintenance agreements with future annual payments of approximately:

2003	$	8 110
2004		1 788
2005		750
	$	10,648

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(c) Lotteries

The Corporation has purchase agreements with suppliers for ticket printing services and on-line supplies. A commitment for purchases in amounts up to $14,700,000 is in force until September 2004.

The Corporation has signed a contract for the replacement of its on-line lottery terminals and terminal software. The test phase of the terminal implementation will commence in late 2002 and the total cost of this project is estimated to be $80,000,000.

(d) Casino Windsor

In connection with the acquisition of the land site for the permanent casino complex in Windsor, Ontario, the Corporation agreed to provide the City of Windsor with a fixed return over 20 years with payments commencing May 1, 1998 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

(e) Casino Niagara

In connection with the acquisition of the land site for the permanent casino complex in Niagara Falls, Ontario, the Corporation agreed to provide the Corporation of the City of Niagara Falls (the City) with a fixed return over 20 years with payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and then $3,000,000, adjusted for Consumer Price Index, as defined in the agreement, thereafter. In addition, the Corporation is obligated to reimburse the City for the Corporation's share of certain infrastructure costs amounting to $3,300,000.

On January 29, 2002 the Corporation signed an amended and restated master development agreement with Falls Management Company for the construction and development of a permanent casino complex in Niagara Falls, Ontario. Under the terms of the contract, construction financing is the responsibility of the developer and risks of the contract are substantially transferred to the developer. The principle risks to the Corporation include force majeure, extraordinary fluctuations in interest rates and Canadian dollar devaluation. The developed project is scheduled for completion in July 2004, at which time, the Corporation will purchase the permanent casino complex from Falls Management Company for $794,000,000. Additional capital costs to be incurred by the Corporation are estimated at $203,000,000 bringing the total cost of the project to $997,000,000.

(f) Racetrack Slot Operations

As at March 31, 2002 the Corporation has entered into discussions with municipalities for the establishment of three additional racetrack slot operations at an estimated total cost of $54,400,000.

11. Contingencies:

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

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12. Segmented information:

					2002
Segment Activity	**Lotteries**	**Commercial Casinos**	**Charity Casinos**	**Racetrack Slot Operations**	**Total**
Revenues					
Lotteries	$ 2,111,703	$ -	$ -	$ -	$ 2,111,703
Slots	-	1,274,551	322,026	1,289,417	2,885,994
Tables	-	444,880	53,397	-	498,277
Non-gaming	-	152,918	19,119	932	172,969
	2,111,703	1,872,349	394,542	1,290,349	5,668,943
Less promotional allowances	-	152,656	16,342	27,293	196,291
	2,111,703	**1,719,693**	**378,200**	**1,263,056**	**5,472,652**
Operating expenses					
Non-gaming	-	133,110	17,664	2,967	153,741
Gaming and lottery operations	90,151	294,910	79,719	108,395	573,175
Lottery prizes	1,050,150	-	-	-	1,050,150
Commissions	151,577	-	16,169	303,995	471,741
Marketing and promotion	39,783	150,469	17,259	52,947	260,458
Operators' fees (Note 8 (a))	-	75,244	5,020	-	80,264
Amortization	12,053	64,522	32,060	61,127	169,762
General and administration	44,663	179,099	38,739	57,783	320,284
Win tax (Note 14)	-	343,810	16,857	-	360,667
Payments to Government of Canada (Note 15)	51,155	29,174	7,097	27,581	115,007
	1,439,532	**1,270,338**	**230,584**	**614,795**	**3,555,249**
Revenues less expenses	**672,171**	**449,355**	**147,616**	**648,261**	**1,917,403**
Interest and other income, net	8,658	44,036	2,380	6,733	61,807
Net income	**$ 680,829**	**$ 493,391**	**$ 149,996**	**$ 654,994**	**$ 1,979,210**

					2001
Segment Activity	**Lotteries**	**Commercial Casinos**	**Charity Casinos**	**Racetrack Slot Operations**	**Total**
Revenues					
Lotteries	$ 2,157,159	$ -	$ -	$ -	$ 2,157,159
Slots	-	1,318,531	255,776	1,034,656	2,608,963
Tables	-	457,209	50,435	-	507,644
Non-gaming	-	159,476	12,409	818	172,703
	2,157,159	1,935,216	318,620	1,035,474	5,446,469
Less promotional allowances	-	155,256	8,667	20,589	184,512
	2,157,159	**1,779,960**	**309,953**	**1,014,885**	**5,261,957**
Operating expenses					
Non-gaming	-	129,579	14,335	1,890	145,804
Gaming and lottery operations	85,574	282,085	69,489	80,998	518,146
Lottery prizes	1,085,335	-	-	-	1,085,335
Commissions	154,913	-	12,776	243,644	411,333
Marketing and promotion	38,644	145,013	11,671	45,518	240,846
Operators' fees (Note 8 (a))	-	102,276	3,388	-	105,664
Amortization	13,401	93,302	24,502	48,383	179,588
General and administration	25,417	181,419	30,292	51,483	288,611
Win tax (Note 14)	-	355,014	11,544	-	366,558
Payments to Government of Canada (Note 15)	45,978	39,407	7,246	17,750	110,381
	1,449,262	**1,328,095**	**185,243**	**489,666**	**3,452,266**
Revenues less expenses	**707,897**	**451,865**	**124,710**	**525,219**	**1,809,691**
Interest and other income, net	16,241	53,165	3,704	9,980	83,090
Net income	**$ 724,138**	**$ 505,029**	**$ 128,414**	**$ 535,199**	**$ 1,892,781**

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13. Pension plans:

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $4,678,000 (2001 - $5,167,000).

The operators of the commercial casinos have defined contribution pension plans for their salaried, hourly and executive employees. The pension expense for the year amounted to $15,433,000 (2001 - $13,688,000).

14. Win tax:

The Corporation remits win tax to the Province of Ontario equal to 20% of gaming revenue from commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities.

15. Payments to Government of Canada:

The Corporation made the following payments to the Government of Canada

		2002		2001
Payments on behalf of the Province of Ontario	$	21,886	$	21,314
Goods and Services Tax		93,121		89,067
	$	115,007	$	110,381

(a) Payment on behalf of the Province of Ontario

The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

(b) Goods and Services Tax

Goods and Services Tax (GST) payments are made under a specific formula. This tax is in lieu of the collection of GST on lottery ticket sales and gaming revenue from the consumer. In addition, the Corporation also pays GST on certain expenditures. These payments are not recoverable.

16. Comparative amounts:

Certain prior year amounts have been reclassified to conform with current year financial statement format.

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Salary Disclosure 2001

The Ontario Public Sector Salary Disclosure Act (1996) requires that OLGC make available. on an annual basis. information on the salary and taxable benefits of those individuals in the Corporation whose salary is more than $100.000 in a calendar year.

The salary portion of an individual's compensation includes base salary. overtime payments. vacation/lieu time payouts. incentive and/or lump-sum merit payments. and one-time relocation expenses and/or resettlement payments. Listed below – by name. title. salary and taxable benefits – are those within the OLGC whose salary exceeded $100.000 for the year 2001.

Name	Title	Salary	Benefits
Aronson. Don	Dir. Corp Events & Comm. Rel.	$112.895.17	$262.00
Aube. Mike	Sr Manager. Corporate Security	$106.073.37	$254.48
Bailey. Rod	General Manager	$131.587.57	$317.28
Barbaro. Ron D	Chief Executive Officer	$360.009.71	$756.00
Barnett. Kenneth	Dir. Slots Racetrack Bus Dev	$117.039.78	$2.247.94
Bell-Murray. Lisa	Director. Corp Acct & Rpt	$136.342.82	$338.20
Berdowski. Alan	Senior VP Lotteries	$195.524.77	$8.794.61
Blake. Bill	Manager. Finance	$109.992.90	--
Bortolussi. Roy	Director. Marketing	$145.837.99	$308.08
Calderone. Bart	Dir. Fin Plan. Budget & Analysis	$134.141.51	$341.19
Campbell. Alex	Director. Customer Service	$114.889.43	$284.07
Carvalho. Antonio	VP Business Development	$156.749.58	$8.672.61
Chou. Michael	Administrator	$125.877.28	$170.77
Cooper. Jeff	Dir. Cust & Channel Management	$120.187.82	$2.113.93
Cowie. Geoffrey	Legal Counsel	$129.181.89	$244.70
Crawford. Mona	Director. Sales and Service	$108.437.54	$280.56
Cronin. James	Dir. Corporate Communications	$131.151.66	$332.64
Dalton. Earl T.	Sr VP. Finance & Admin	$201.781.77	$10.361.17
Deans. Wayne	Director. Internal Audit	$118.205.82	$311.22
DiMaurizio. Mory	Assistant General Mgr	$101.862.54	$256.40
Ferrara. Tony	Senior Legal Counsel	$106.962.72	$258.72
Fioravanti. Walter	VP. Human Resources	$173.130.12	$12.110.63
Frair. Earl	Project Director. ERM	$114.205.72	$300.00
Gibbons. Brenda	Director. Procurement	$126.825.08	$866.52
Glenat. Suellen	Director. Client Spt & Consult	$109.002.02	$7.821.62
Gray. Richard	Mgr. Fin Plan Charity Casinos	$104.565.90	$237.88
Henderson. Mark	Regional Manager	$110.834.78	$280.56
Hill. Douglas	Director. Racetrack Operations	$116.209.89	$560.85
Kozniuk. Bob	VP. Charity & Aboriginal Casino	$203.613.14	$12.482.14
Laberge. Claude	Sr VP Marketing & Cust Dev	$162.875.60	$12.377.74
Lapointe. Catherine	Director. Operate and Maintain	$106.685.18	$281.46
Locke. Robert	Dir. Facilities Maintenance	$128.222.92	$2.210.69

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Longman. Robert	Key Account Manager	$129.661.91	$9.148.18
MacDonald. Sharon	Director. Planning and Controls	$100.000.00	$187.20
Maddocks. David	Director. Development	$129.255.85	$1.178.81
Magee. Mark	Site General Manager	$102.978.75	$269.52
Marinelli. Thomas	Chief Technology Officer	$150.459.57	$352.80
Markkula. Leo	Director. Treasury	$112.933.21	$272.16
McPhee. Terry	General Manager	$140.614.97	$270.72
Micucci. Paul	VP. Racetrack Slot Operations	$228.573.84	$2.914.43
Myers. David	VP. Sales and Service	$146.552.17	$3.518.91
Nieder. Michael	VP. Information Technology	$208.859.09	$8.974.86
Palmer. Brian	Dir. Process & Implementation	$102.356.41	$278.63
Perugini. Tony	Mgr. Fin Plan Comm Casinos	$100.020.78	$260.25
Peters. Ingrid	VP. Legal and General Counsel	$188.886.47	$9.210.34
Prgomet. John	Dir. Human Resources Services	$108.206.47	$270.57
Ramondt. Susan	Director. Strategic Planning	$102.747.91	$252.08
Redivivo. Mike	Project Manager	$122.989.44	$273.68
Rozeluk. Jerry	Regional Manager	$112.418.35	$3.817.55
Seldon Dimock.Verity	Director. Education & Dev.	$100.397.67	$270.00
Sepkowski. Matthew	Dir. Mktg. Slots RT & CC	$107.262.73	$261.45
Smith. Geoff	General Manager	$120.595.83	$285.48
Smith. Jason	Project Manager	$104.744.73	$244.80
Tomie. Adriana	Director. Shared Services	$131.088.27	$343.76
Uhren. Cameron	General Manager	$123.826.99	$293.76
Whitmell. Dereck.	Director. Solutions Delivery	$111.638.42	$282.00
Wieser. Peter	Director. Field Sales	$105.878.46	$2.401.96
Wisternoff. John	VP. Marketing	$151.988.84	$7.649.65
Wood. Brian	Chief Operating Officer	$272.961.01	$3.088.78
Yammine. Georges	Director of Operations	$124.033.85	$8.671.43
Zelisney. Jackie	Casino Manager	$122.610.51	$286.60

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended December 31, 2001

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financials statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The consolidated financial statements have been reviewed by the Commission's Audit and Finance Committee and have been approved by its Governing Board of commissioners. In addition, the consolidated financial statements have been audited by the Ontario Provincial Auditor, whose report follows.

R.R. Poulin
Chair and Acting CEO

Roy Hains
Executive Vice-President
Service Improvement and Operations

North Bay, Ontario
May 7, 2002

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditors' Report

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines

I have audited the consolidated balance sheet of Ontario Northland Transportation Commission as at December 31, 2001 and the consolidated statements of investment by Province of Ontario, operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J.R. McCarter, CA
Assistant Provincial Auditor

Toronto, Ontario
May 7, 2002

Ontario Northland Transportation Commission
Consolidated Balance Sheet
(dollars in thousands)

December 31	2001	2000
Assets		
Current		
Accounts receivable (Notes 3 and 8)	$ 21,733	$ 31,321
Inventory	11,905	9,845
Prepaid expenses	246	319
	33,884	41,485
Self-Insurance Fund (Notes 2 and 8) **- Market value $4,291;** (2000 - $2,871)	4,176	2,808
Investment in capital assets (Schedule 1)	256,977	248,275
Accrued pension benefit asset (Note 4)	130,174	124,724
	$ 425,211	$ 417,292
Liabilities and Province of Ontario Equity		
Current		
Bank loans and overdrafts (Note 3)	$ 14,324	$ 12,859
Accounts payable and accrued liabilities	24,320	22,045
Current portion of long-term debt (Note 5)	2,111	2,004
Deferred revenue	208	346
	40,963	37,254
Provision for Self-Insurance (Notes 2 and 8)	4,176	2,808
Long-term debt (Note 5)	30,771	32,815
Accrued Non-Pension Benefit Obligations (Note 4)	51,564	48,998
	127,474	121,875
Contingencies/Commitments (Note 10)		
Province of Ontario Equity		
Investment by the Province of Ontario	65,414	60,527
Retained earnings	232,323	234,890
	297,737	295,417
	$ 425,211	$ 417,292

Approved on behalf of the Commission:

Chair and Acting CEO

Executive Vice-President
Service Improvement and Operations

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Ontario Northland Transportation Commission

Consolidated Statement of Investment by the Province of Ontario

(dollars in thousands)

For the year ended December 31	2001	2000
Balance, beginning of year		
Net investment in capital assets	$ 11,578	$ 10,547
Net investment other than share capital (Note 5)	48,949	48,949
	60,527	59,496
Net changes during the year		
Amortization	(760)	(711)
Contributions from Province of Ontario	5,647	1,742
	4,887	1,031
Balance, end of year		
Net investment in capital assets (i)	16,465	11,578
Net investment other than share capital	48,949	48,949
	$ 65,414	$ 60,527

(i) Of the balance at year end $1,373,000 (2000 - $1,707,000) relates to the Marine Operations which have been identified as discontinued operations (see Note 16).

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Operations and Retained Earnings
(dollars in thousands)

For the year ended December 31	2001	2000
Revenues (Schedule 2)	$ 144,959	$ 145,652
Expenses (Schedule 2)	129,394	125,142
	15,565	20,510
Other Expenses		
Amortization (Schedule 2)	12,964	12,077
Interest expense (Schedule 2)	2,233	2,369
Derailment expense (Note 8)	-	2,500
Write-down of real property (Note 13)	-	2,303
Investment and other income	-	(8)
Gain on sale of capital assets (Schedule 2)	(697)	(1,296)
	14,500	17,945
Income before the following items	1,065	2,565
Service improvement plan costs (Note 1)	(3,865)	(612)
Discontinued Operations (Note 16)	233	130
Net (loss) income for the year	(2,567)	2,083
Retained earnings, beginning of year	234,890	172,714
Change in accounting policy (Note 4)	-	60,093
Retained earnings, end of year	$ 232,323	$ 234,890

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows

(dollars in thousands)

For the year ended December 31	2001	2000
Cash provided by (used in)		
Operating activities		
Income before service improvement plan costs and discontinued operations	$ 1,065	$ 2,565
Items not affecting cash		
Amortization (Schedule 2)	12,964	12,077
Gain on disposal of capital assets	(697)	(1,296)
Pension/non-pension expense (recovery)	(1,315)	(1,358)
Write-down of real property	-	2,303
	12,017	14,291
Changes in non-cash working capital balances		
Accounts receivable	9,588	(6,038)
Inventory	(2,074)	(281)
Prepaid expenses	73	511
Accounts payable and accrued liabilities	1,347	4,248
Deferred revenue	(138)	(236)
Service improvement plan costs	(2,937)	(612)
Discontinued operations (Note 16)	251	163
	18,127	12,046
Investing activities		
Investment in capital assets	(22,878)	(19,354)
Proceeds from self-insurance fund	-	3,000
Proceeds from sale of capital assets	1,145	2,011
Decrease in other assets	(107)	(294)
	(21,840)	(14,637)
Financing activities		
Reduction of long-term debt (Note 5)	(1,937)	(1,755)
Derailment costs paid out of self-insurance fund	-	(3,000)
Contributions from the Province of Ontario	5,647	1,742
Bank loans and overdrafts	1,465	7,203
Other liabilities	(1,462)	(1,599)
	3,713	2,591
Change in cash and cash equivalents during the year	-	-
Cash and equivalents, beginning of year	-	-
Cash and equivalents, end of year	$ -	$ -
Supplemental disclosure of cash flow information:		
Interest paid during the year and included in net income	$ 2,233	$ 2,369
Non-Cash investing and financing activity:		
Assumption of long-term debt to acquire assets	$ -	$ 1,600

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Investment in Capital Assets
Schedule 1

(dollars in thousands)

For the year ended December 31			2001	2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Rail Services				
Roadway	$ 197,608	$ 71,091	**$ 126,517**	$ 117,479
Buildings	36,012	12,385	**23,627**	23,666
Equipment	74,985	34,018	**40,967**	42,094
Under construction	1,225	-	**1,225**	2,890
Telecommunications				
Equipment	125,066	74,977	**50,089**	44,537
Buildings	3,681	1,584	**2,097**	2,016
Under construction	2,146	-	**2,146**	4,502
Marine Services (Owen Sound) (Note 16)				
Vessels	9,796	8,395	**1,401**	1,728
Land and buildings	126	50	**76**	77
Equipment	280	273	**7**	17
Bus services				
Coaches	8,641	3,802	**4,839**	5,353
Under construction	510	-	**510**	-
Marine Services (Moosonee)				
Vessels	385	284	**101**	111
Under construction	32	-	**32**	-
Development				
Land and buildings	5,345	2,652	**2,693**	3,155
Land held for resale	650	-	**650**	650
	$ 466,488	$ 209,511	**$ 256,977**	$ 248,275

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2

(dollars in thousands)

For the year ended December 31	2001	2000
Rail Services		
Sales revenue (Note 15)	$ 63,091	$ 61,058
Government reimbursement (Note 6)	14,529	14,423
Operating revenue	77,620	75,481
Operating expense	66,816	65,353
Operating income	10,804	10,128
Amortization	6,622	6,702
Gain on sale of capital assets	(76)	(258)
Interest expense	1,877	1,978
Net income from operations	2,381	1,706
Telecommunications		
Sales revenue (Note 7)	56,743	60,190
Operating expense	47,200	44,254
Operating income	9,543	15,936
Amortization	5,344	4,476
Gain on sale of capital assets	-	(2)
Net income from operations	4,199	11,462
Bus Services		
Sales revenue	9,819	9,242
Operating expense	8,247	7,840
Operating income	1,572	1,402
Amortization	514	510
Gain on sale of capital assets	-	(114)
Net income from operations	1,058	1,006

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2

(dollars in thousands)

For the year ended December 31	2001	2000
Marine Services (Moosonee)		
Sales revenue	**146**	154
Government reimbursement (Note 6)	**65**	65
Operating revenue	**211**	219
Operating expense	**206**	225
Net income (loss) from operations	**5**	(6)
Air Service Contracts		
Operating expense	**263**	152
Net loss from operations	**(263)**	(152)
Rental Properties		
Sales revenue	**566**	520
Operating expense	**403**	428
Operating income	**163**	92
Amortization	**107**	118
Gain on sale of capital assets	**(621)**	(165)
Net income from operations	**677**	139
Administration		
Operating expense	**6,259**	6,890
Operating loss	**(6,259)**	(6,890)
Amortization	**377**	271
Gain on sale of capital assets	**-**	(757)
Interest expense	**356**	391
Net loss from operations	**(6,992)**	(6,795)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2
(dollars in thousands)

For the year ended December 31	2001	2000
Total Operations		
Sales revenue	**130,365**	131,164
Government reimbursement (Note 6)	**14,594**	14,488
Total revenues	**144,959**	145,652
Expenses	**129,394**	125,142
Operating income	**15,565**	20,510
Amortization	**12,964**	12,077
Gain on sale of capital assets	**(697)**	(1,296)
Interest expense	**2,233**	2,369
Net income from operations (i)	**$ 1,065**	$ 7,360

(i) Note: The above figure is before Service improvement plan costs, Derailment expense, Write-down of real property, investment and other income and discontinued operations (see Note 16).

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2001

Nature of Business

The Ontario Northland Transportation Commission, an Operational Enterprise of the Ontario government, delivers a variety of commercial and non-commercial services, including rail freight, passenger rail, bus, marine transportation (Note 16) and telecommunications.

Going Concern

These financial statements have been prepared on a going concern basis. On December 4, 2000, the Commission accepted the recommendations of a Service Improvement Plan performed by an independent consulting firm. On December 13, 2000, the Minister of Northern Development and Mines accepted the recommendations of the Commission and directed it to implement the recommendations in two phases.

As part of Phase I the Minister has directed the ONTC to pursue:

The divestment of ONTelcom

The divestment or leasing of the Cochrane Station Inn

The reorganization of ONTC's marine operations (Owen Sound Transportation Company, Limited) into a separate agency operated out of Owen Sound (Note 16).

Improvements to the motor coach service

Enhancing tourism opportunities in the area the Polar Bear Express operates

During Phase II the ONTC has been further directed, commencing in the summer of 2001, to:

Explore options to divest Ontario Northland's rail freight services through alternative delivery

Determine alternative delivery of the Northlander, the Little Bear and the Polar Bear rail service

As of the date of financial statement preparation the implementation of these recommendations continue to be in process, however, these financial statements do not reflect any adjustments that might be necessary to assets or liabilities of the Commission such as costs of restructuring or disclosure that may be appropriate should it carry out one or more of the above noted actions. The Marine Operations, with the exception of Moosonee, were divested through the sale of shares of the Owen Sound Transportation Company, Limited to the Province of Ontario effective April 1, 2002. This included the operation of the Pelee Island ferry.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2001

Employee Future benefits

Effective January 1, 2000, the Commission adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook section 3461, Employee Future Benefits. The recommendations were adopted on a retroactive basis without restatement. The impact of prior years was reflected as an adjustment to opening retained earnings.

Pension Plans

The Commission maintains a defined benefit pension plan for its employees. The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. Pension fund assets are valued using current market values. The Accrued Pension Benefit Asset or Obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practice using management's best estimates.

Non-Pension Benefit Plans

The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Commencing January 1, 2000 the Commission also accrues Worker's Compensation benefits in this manner.

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and experience gains or losses. Experience gains or losses are amortized on a straight- line basis over the expected average remaining service life of the employees covered by the plans. These expenses are recorded in the year in which employees render services to the Commission (See Note 4).

Basis of Accounting

These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc, O.N. Tel Inc., Star Transfer Limited, The Owen Sound Transportation Company, Limited (Note 16), Air-Dale Limited and Nipissing Central Railway Company.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2001

Revenue Recognition

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Revenues from other sources are recognized when earned, with the exception of federal government reimbursements. Reimbursements, upon audit verification of yearly losses are recorded on a cash basis. Advance payments made prior to final determination of losses are recorded on an accrual basis. Telecommunications toll revenue adjustments are recognized when measurement is reasonable (see Note 7).

Inventory

With the exception of used rail, all materials and supplies are valued at average cost. Used rail is shown at unamortized book value determined at the time of retirement.

Investment in Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

The estimated service lives for principal categories of assets are as follows:

Roadway - main line and branches	20 to 50 years
Railway diesel locomotives	25 years
Railway cars	33 years
Marine vessels	20 to 30 years
Buildings	50 years
Telecommunications equipment	15 years
Vehicles	3 years
Computer equipment	5 years
Coaches	12 years

The Province of Ontario reimburses the Commission for the cost of certain capital assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Net Investment in Capital Assets (Province of Ontario). Annual amortization on these capital assets is recorded as a reduction of the Net Investment in Capital Assets (see page 4).

Self-Insurance Fund

The self-insurance fund assets are stated at acquisition cost.

Income Taxes

As an agency of the Province of Ontario, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2001

Accounting Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

1. Status of Service Improvement Plan

In fiscal 2001 the Commission took certain steps to implement parts of the Service Improvement Plan recommendations such as, the reorganization of the Owen Sound Transportation Company, Limited (OSTC), accepting Request for Proposals (RFP's) for both the Rail Services and Telecommunications divisions and the addition of an Internal Solutions Group (ISG) business proposal. The Commission will then recommend its decision to the Minister of Northern Development and Mines in 2002. Since the outcome of this decision is not known these financial statements do not necessarily reflect any adjustments or additional disclosure that may be required other than that for the reorganization of the OSTC which was approved in 2001 and finalized on April 1, 2002, as further discussed in Note 16.

In complying with the recommendations set out in the Service Improvement Plan the Commission incurred costs in the amount of $3,865,000 (2000 - $612,000) during the year. These costs consisted primarily of consulting fees and legal fees in carrying out the recommendations. It is the intention of the Commission to apply to the Ministry of Northern Development and Mines to have these costs reimbursed if they are not offset by future divestment proceeds.

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2. Self-Insurance Fund

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets. Fund assets are comprised of investments in federal and provincial government bonds and cash in the amount of $3,929,000 (2000 - $1,808,000) and the Commission charged an additional $2,000,000 (2000 - $1,000,000) to operations during the fiscal year.

Interest rates on the above mentioned bonds vary from 5.5% to 14.0% per annum. Maturity dates on these investments are staggered ranging from June 1, 2003 to October 16, 2006. This fund and the corresponding reserve for self-insurance decreased in fiscal 2000 due to a significant claim against the fund for costs incurred by the Commission as a result of a derailment of one of its freight trains (see Note 8). As such the Commission has recognized the above noted additional charges in both fiscal 2000 and 2001 in order to get the fund back up to a more reasonable level.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

3. Operating Line of Credit

The Commission had a demand operating line of credit with a Canadian Chartered Bank, bearing interest at the bank's prime rate less 0.5%. The maximum draws that could be advanced on this operating line were $12,000,000. In late fiscal 2001 the Commission negotiated a new revolving operating line of credit with the Ontario Financing Authority for up to $5,000,000. The purpose of this credit facility is to be used for the monthly rail settlements. Included in bank loans and overdrafts at year end are draws on the operating lines of $11,921,000 (2000 - $9,600,000). The collateral security on the credit facility agreement with the Canadian Chartered Bank is accounts receivable.

The Commission negotiated a new operating line of credit in early January 2002 with the Ontario Financing Authority in the amount of $20,000,000. This Operating Line was granted to the Commission with a restriction as set out in the Credit Facility that it be used to pay out the above noted demand operating line of credit with the Canadian Chartered Bank and secondly to finance Service Improvement Plan costs.

4. Employee Future Benefits

The Commission is the trustee for its contributory pension plan which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers.

Included in the accrued non-pension benefit obligation is worker's compensation benefits in the amount of $12,403,000 (2000 - $11,656,000). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2000. The valuation at December 31, 2001 is not expected to be ready until after the date of financial statement preparation. It is management's opinion that the balance at December 31, 2001 will not be significantly different.

a. Accrued Pension Benefit Assets

	2001	2000
Projected benefit obligations	**$ 336,934,000**	$ 327,538,000
Market value of plan assets	**437,013,000**	455,058,000
Surplus	**100,079,000**	127,520,000
Accrued benefit assets - beginning of year	**124,724,000**	12,382,000
Adjustment related to adoption of new standard	**-**	107,474,000
Recovery/(expense)	**5,343,000**	4,574,000
Funding contributions	**107,000**	294,000
Accrued benefit assets - end of year	**$ 130,174,000**	$ 124,724,000

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

4. Employee Future Benefits (continued)

b. Accrued Non-Pension Benefit Obligation

	2001	2000
Accrued benefit obligation	$ 39,161,000	$ 47,381,000
Market value of plan assets	-	-
Unfunded liability	39,161,000	47,381,000
Accrued benefit liability - beginning of year	48,998,000	-
Transitional obligation	-	47,381,000
Expense	4,028,000	3,216,000
Funding contributions	(1,462,000)	(1,599,000)
Accrued benefit liability - end of year	$ 51,564,000	$ 48,998,000

c. Components of Net Periodic Pension Benefit Expense (Recovery)

	2001	2000
Current service cost (net of employee contributions)	$ 6,652,000	$ 5,503,000
Interest on accrued benefit obligation	21,144,000	21,009,000
Expected return on plan assets	(33,332,000)	(31,086,000)
Net amortization for the year	193,000	-
	$ (5,343,000)	$ (4,574,000)

d. Components of Net Periodic Non-Pension Benefit Expense

	2001	2000
Current service cost (net of employee contributions)	$ 1,458,000	$ 638,000
Interest on accrued benefit obligation	2,570,000	2,578,000
	$ 4,028,000	$ 3,216,000

e. Weighted Average Assumptions

	2001	2000
Discount rate - pension	6.50	7.00
Discount rate - non pension	6.75	7.25
Expected long-term rate of return on plan assets	7.50	7.50
Rate of compensation increase	4.00	4.00
Medical cost increases	4.50 % to 9.0%	4.50% to 9.0%

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

4. Employee Future Benefits (continued)

Effective January 1, 2000, the Commission adopted the recommendations for accounting for employee future benefits for its pension plan, non-pension plan and its workers compensation obligation. The Commission applied these recommendations retroactively without restating prior years, by reflecting the change as an adjustment to opening retained earnings. The cumulative effect of adopting the recommendations as at January 1, 2000, was to increase the opening balance of retained earnings by $60,093,000, increase the opening balance of accrued pension benefit asset by $107,474,000 and increase the opening balance of accrued non-pension benefit obligation by $47,381,000.

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5. Long-term Debt

	2001	2000
Loan from Ontario Financing Authority, bearing interest at 5.64% per annum, blended monthly payments of $43,000 for 10 years beginning May 1, 1998.	**$ 2,745,000**	$ 3,097,000
Loan from Ontario Financing Authority, bearing interest at 5.60% per annum, blended monthly payments of $156,000 for 15 years beginning January 1, 2000.	**17,293,000**	18,177,000
Loan from Ontario Financing Authority, bearing interest at 6.37% per annum, blended monthly payments of $109,000 for 15 years beginning September 1, 1999.	**11,419,000**	11,991,000
Vendor take back loan on an asset purchase that bears 0% interest, repayable over 8 years in accordance with the terms of the purchase agreement.	**1,425,000**	1,554,000
	32,882,000	34,819,000
Less current portion	**2,111,000**	2,004,000
	$ 30,771,000	$ 32,815,000

During fiscal 2001, the Commission reclassified a $35,208,000 non-interest bearing loan with no specific repayment terms from the Province of Ontario to Investment by the Province of Ontario and restated the comparative figures accordingly. This was done to be consistent with how the loan was reflected in the Province of Ontario's consolidated financial statements. The Province, recognizing the concessionary nature of the loan, classified it as an equity investment in the Commission.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

5. Long-term Debt (continued)

Payments required in the next five years and thereafter are as follows:

2002	$ 2,111,000
2003	2,225,000
2004	2,345,000
2005	2,473,000
2006	2,567,000
Thereafter	21,161,000
	$ 32,882,000

6. Government Reimbursement

In accordance with a Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial. The Commission and the Ministry entered into a contribution agreement which defined the amount of compensation which the Province of Ontario provided for the year 2001. The provincial government has extended the one time compensation to offset losses on the passenger train services initially paid in 1999. In 2001 these payments which are included below amounted to $4,000,000 (2000 - $4,000,000).

A portion of the operating loss of the weekday passenger train service between North Bay and Toronto is reimbursed by the National Transportation Agency of Canada under Section 270 of the Railway Act. The federal government revoked the Railway Act during 1996 and replaced it with the Canada Transportation Act. Negotiations between the Commission and Transport Canada concluded in 1996. The amount of annual reimbursement was fixed at $2,500,000 for a five year period expiring in 2001. At the date of financial statement preparation the Commission was in negotiations with the federal government to extend the agreement.

Details of Government reimbursement are as follows:

	2001	2000
From Province of Ontario:		
Rail - Passenger Service and Moosonee Branch	**$ 12,029,000**	$ 11,924,000
Marine Services (Moosonee)	**65,000**	65,000
Marine Services (Owen Sound)	**1,570,000**	904,000
	13,664,000	12,893,000
From Transport Canada:		
Current year's operations	**2,500,000**	2,500,000
	$ 16,164,000	$ 15,393,000

The Commission is dependent on these reimbursements to carry out its non-commercial operations.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

7. Telecommunications Revenue

The Commission's Telecommunications Division has a traffic agreement with Bell Canada that permits the two companies to exchange and settle on the toll traffic that traverses their network. During fiscal 2001 the CRTC made the interim CAT (Carrier Access Tariff) settlement regime it had imposed on the parties over the recent years final. In keeping with the Commission's accounting policy any revenue adjustments whether positive or negative, are to be recognized in the year in which they become known and estimable.

8. Derailment Costs

On March 14, 2000 one of the Commission's freight trains derailed in a remote area of Northeastern Ontario. The train carried, in addition to other commodities, sulphuric acid. The cumulative costs as of December 31, 2000 of the accident were determined to be $8,500,000. Any additional costs that are not covered by self-insurance or third party insurance are expensed in the period in which they are incurred. The fiscal 2000 expense is determined as follows:

	2001	2000
Total derailment costs	**$** -	$ 8,500,000
Less: recovered from self-insurance fund	-	3,000,000
Less: receivable from third party insurance (net of a $2,000,000 deductible)	-	3,000,000
Operating expense recognized during the year	**$** -	$ 2,500,000

No significant costs were incurred in fiscal 2001 with regards to the above noted derailment.

9. Air Service Contracts

The Commission contracted for the provision of alternate transportation for some communities affected by the closure of the Air Services division (norOntair) until other arrangements could be made. This contractual arrangement extended into the second quarter of 1997. Upon completion of this contract, the Commission began the provision of funds directly to some of the affected communities in order that they may arrange alternate modes of transport. These payments may be found in Schedule 2 under the caption Air Service Contracts, and the final payments were made in fiscal 2001.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

10. Contingencies/Commitments

Various statements of claim have been issued against the Commission claiming damages. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims would be unfounded or covered by insurance after application of a $2,000,000 deductible. Should any loss result, it would be charged to operations when the amount is ascertained.

In 1998 a claim for $3,000,000 was submitted to the National Transportation Agency for partial reimbursement of the write-down of railway passenger rolling stock. The likelihood of the success of the claim remains not determinable at this time and as a result is not reflected in these financial statements.

The Commission has contractual obligations on a number of operating leases for such items as rail cars, computer equipment, automotive equipment and other. It is management's opinion that in aggregate the annual cost of these leases is not significant to the Commission as a whole.

11. Financial Instruments

The Commission's financial instruments consist of cash and term investments of the self insurance fund, accounts receivable, bank loans and overdrafts, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

12. Related Party Transactions

During the year, the Commission charged the ONTC Contributory Pension Fund $493,000 (2000 - $343,000) for financial and administrative support.

13. Write-down of Real Property

The process of selling an office building held by the Commission in Kirkland Lake, Ontario began in fiscal 2000. Based on an appraisal performed by an independent firm, it had become evident that the net realizable value of this property had fallen below its carrying value. The cost of the office building was accordingly written down by $2,303,000.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

14. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

15. Economic Dependence

During 2001, the Rail Services Division derived 45% (2000 - 44%) of it's revenue from three major customers.

16. Discontinued Operations

As part of the recommendations of the Service Improvement Plan conducted in fiscal 2000 the Commission implemented one of the items in Phase I being the reorganization of its wholly owned subsidiary Owen Sound Transportation Company, Limited (OSTC). This was effectively done April 1, 2002 through a share sale of the OSTC to the Province of Ontario with no consideration being received by the Commission and no gain or loss. In addition the operation of Pelee Island has been assumed by the OSTC.

Selected financial information of the Marine Operations are as follows:

	2001	2000
Marine Services (Owen Sound)		
Sales revenue	$ 5,669,000	$ 5,410,000
Government reimbursement (Note 6)	1,570,000	904,000
Operating revenue	7,239,000	6,314,000
Operating expense	7,302,000	6,452,000
Operating loss	(63,000)	(138,000)
Amortization	4,000	32,000
Net loss from operations	(67,000)	(170,000)
Marine Services (Pelee Island)		
Sales revenue	4,269,000	3,611,000
Operating expense	3,969,000	3,311,000
Net income from operations	300,000	300,000
Income from discontinued operations	$ 233,000	$ 130,000

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2001

16. Discontinued Operations (continued)

Assets and liabilities of the Marine Operations at December 31 are as follows:

Current assets	**$ 40,000**	$ 54,000
Capital assets	**1,484,000**	1,822,000
Long-term liabilities	**238,000**	145,000

Cash flows from the Marine Operations are as follows:

	2001	2000
Operating activities	**$ 251,000**	$ 163,000
Investing activities	-	-
Financing activities	-	-

Ontario Northland Transportation Commission
Statement of Employees Paid in Excess of $100,000

December 31, 2001

Name	Position		Salary		Taxable Benefits
R S Hutton	Acting President	$	139,078	$	998
S G Carmichael	Vice President - Transportation Services	$	128,492	$	998
B R Wheeler	Vice President - O.N. Tel	$	124,060	$	935
D W Hueston	Trainman	$	120,658	$	141
S D Gowlett	Trainman	$	113,830	$	141
L Y Picard	Trainman	$	109,279	$	117
R M Thompson	Counsel	$	108,273	$	825
D F Beatty	Trainman	$	103,201	$	141
D Church	Trainman	$	102,944	$	141
B R Hofferd	Engineman	$	102,784	$	136
B Lacharity	Trainman	$	101,630	$	141
M N Bond	Engineman	$	101,476	$	141

Prepared under the Public Sector Salary Disclosure Act, 1996

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Ontario Power Generation Inc. are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to January 30, 2002.

Management maintains a system of internal controls which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization. These systems are monitored and evaluated by management and by an internal audit service and risk management function.

The consolidated financial statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board of Directors is comprised of independent directors. The Audit Committee meets regularly with management, internal audit services and the external auditors to satisfy itself that each group has properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Ontario Power Generation Inc.'s financial reporting and the effectiveness of the system of internal controls.

January 30, 2002

Ron Osborne

Ronald W. Osborne
President and Chief Executive Officer

Wayne M. Bingham
Executive Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholder of Ontario Power Generation Inc.

We have audited the consolidated balance sheets of Ontario Power Generation Inc. as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Ontario Power Generation Inc's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ontario Power Generation Inc. as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants
Toronto, Canada
January 23, 2002

Consolidated Statements of Income

Years Ended December 31 *(millions of dollars except earnings per share)*	2001	Restated *(notes 2 and 15)* 2000
Revenues	6,239	5,978
Operating expenses		
Operation, maintenance and administration	2,559	2,365
Fuel	1,259	1,271
Power purchased	879	180
Depreciation and amortization *(notes 5 and 6)*	810	764
Property and capital taxes	308	379
Restructuring costs *(note 17)*	67	-
	5,882	4,959
Operating income	357	1,019
Net interest expense	139	140
Income before income taxes	218	879
Income taxes *(note 3)*		
Current	(65)	310
Future	131	79
	66	389
Net income	152	490
Basic and fully diluted earnings per common share	0.59	1.91
Common shares outstanding *(millions)*	256.3	256.3

See accompanying notes to consolidated financial statements

Consolidated Statements of Retained Earnings

Years Ended December 31 *(millions of dollars)*	2001	Restated *(notes 2 and 15)* 2000
Retained earnings beginning of year as previously reported	691	291
Adjustment *(notes 2 and 15)*	(124)	(9)
Retained earnings beginning of year as restated	567	282
Net income	152	490
Dividends	(375)	(205)
Retained earnings end of year	344	567

See accompanying notes to consolidated financial statements

OPG Consolidated Statements of Income and Retained Earnings

Consolidated Statements of Cash Flows

Years Ended December 31 (millions of dollars)	2001	Restated (notes 2 and 15) 2000
Operating activities		
Net income	152	490
Adjustments for non-cash items:		
Depreciation and amortization	810	764
Deferred pension asset	21	19
Other post employment benefits	(13)	73
Future income taxes	131	79
Provision for restructuring (note 17)	67	-
Other	53	65
	1,221	1,490
Fixed asset removal and nuclear waste management fund	(427)	(414)
Expenditures on nuclear waste management	(56)	(43)
Net changes to other long-term assets and liabilities	(67)	(107)
Non-cash working capital changes:		
Accounts receivable	(50)	(38)
Income taxes recoverable	(77)	-
Fuel inventory	(293)	136
Materials and supplies	(60)	(4)
Accounts payable and accrued charges	33	261
Cash flow provided by operating activities	224	1,281
Investing activities		
Expenditures for fixed assets	(739)	(585)
Proceeds from Bruce decontrol (note 16)	370	-
Net proceeds (purchases) from short-term investments	296	(335)
Proceeds from sale of fixed assets	12	16
Cash flow used in investing activities	(61)	(904)
Financing activities		
Short-term notes issued (repaid)	(150)	150
Repayment of long-term debt and capital lease obligation (note 7)	(203)	-
Dividends	(375)	(205)
Cash flow used in financing activities	(728)	(55)
Net (decrease) increase in cash and cash equivalents	(565)	322
Cash and cash equivalents, beginning of year	565	243
Cash and cash equivalents, end of year	-	565

See accompanying notes to consolidated financial statements

Consolidated Balance Sheets

As at December 31 *(millions of dollars)*	2001	Restated *(notes 2 and 15)* 2000
Assets		
Current assets		
Cash and cash equivalents *(note 4)*	-	565
Short-term investments *(note 4)*	39	335
Accounts receivable	1,010	968
Income taxes recoverable	77	-
Fuel inventory	537	288
Materials and supplies	35	37
	1,698	2,193
Fixed assets *(note 5)*		
Property, plant and equipment	14,460	13,842
Less: accumulated depreciation	1,479	910
	12,981	12,932
Other assets		
Deferred pension asset *(notes 2 and 15)*	330	482
Fixed asset removal and nuclear waste management fund *(note 6)*	1,208	781
Long-term note receivable *(note 16)*	225	-
Materials and supplies	179	192
Long-term accounts receivable and other assets	65	52
	2,007	1,507
	16,686	16,632

See accompanying notes to consolidated financial statements

Consolidated Balance Sheets

As at December 31 *(millions of dollars)*	2001	Restated *(notes 2 and 15)* 2000
Liabilities		
Current liabilities		
Accounts payable and accrued charges	1,505	1,406
Short-term notes payable *(note 8)*	-	150
Deferred revenue due within one year *(note 16)*	13	-
Long-term debt due within one year *(note 7)*	205	204
	1,723	1,760
Long-term debt *(note 7)*	3,015	3,219
Other liabilities		
Fixed asset removal and nuclear waste management *(note 6)*	4,724	4,482
Other post employment benefits *(notes 2 and 15)*	924	1,032
Long-term accounts payable and accrued charges	336	298
Deferred revenue *(note 16)*	215	-
Future income tax liabilities *(note 3)*	279	148
	6,478	5,960
Shareholder's equity		
Common shares *(note 10)*	5,126	5,126
Retained earnings *(notes 2 and 15)*	344	567
	5,470	5,693
	16,686	16,632

Contingencies and commitments *(note 14)*

See accompanying notes to consolidated financial statements

On behalf of the Board of Directors

W A Farlinger

William A. Farlinger
Chairman

Ron Osborne

Ronald W. Osborne
President and Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. Description of Business

Ontario Power Generation Inc. was incorporated on December 1, 1998 pursuant to the *Business Corporations Act* (Ontario). As part of the reorganization of Ontario Hydro, under the *Electricity Act*, 1998 and the related restructuring of the electricity industry in Ontario, Ontario Power Generation Inc. and its subsidiaries (collectively "OPG") purchased and assumed certain assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro on April 1, 1999 and commenced operations on that date. Ontario Hydro has continued as Ontario Electricity Financial Corporation ("OEFC"), responsible for managing and retiring Ontario Hydro's outstanding debt and other obligations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of OPG have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities.

Consolidation

The consolidated financial statements include the accounts of Ontario Power Generation Inc. and its subsidiaries. Ontario Power Generation Inc. accounts for its interests in jointly controlled entities using the proportionate consolidation method.

Inventories

Fuel inventory is valued at the lower of average cost or net realizable value.

Materials and supplies are valued at the lower of average cost or net realizable value with the exception of specific replacement parts which are unique to nuclear and fossil generating stations. The cost of the unique replacement parts inventory is charged to operations on a straight-line basis over the remaining life of the related facilities and are classified as long-term assets.

Fixed Assets and Depreciation

Property, plant and equipment are recorded at cost. Interest costs incurred during construction are capitalized as part of the cost of the asset.

Depreciation rates for the various classes of assets are based on their estimated service lives. Any asset removal costs that have not been specifically provided for in current or previous periods are also charged to depreciation expense

Fixed assets are depreciated on a straight-line basis except for computers and transport and work equipment, which are depreciated on a declining balance basis as noted below:

Nuclear generating stations	25 to 40 years
Fossil generating stations	40 to 50 years
Hydroelectric generating stations	100 years
Administration and service facilities	50 years
Computers and transport and work equipment assets - declining balance	9 to 40%
Major application software	7 years

Fixed Asset Removal and Nuclear Waste Management

OPG recognizes a liability for fixed asset removal and nuclear waste management, taking into account the time value of money since it is able to estimate both the amount and timing of future cash expenditures on these activities. On April 1, 1999, when OPG commenced operations, the following costs were recognized as a liability:

- The present value of the costs of dismantling the nuclear and fossil production facilities at the end of their useful lives.
- The present value of the fixed cost portion of any nuclear waste management programs that are required regardless of volume of waste generated.
- The present value of the variable cost portion of any nuclear waste management program to take into account actual waste volumes incurred up to April 1, 1999.

The liability for nuclear waste management costs is increased for waste generated each year with the corresponding amounts charged to operations through depreciation and amortization expense or fuel expense. OPG funds the nuclear fixed asset removal and nuclear waste management liability based on a pre-determined payment stream. This funding is segregated and used only for fixed asset removal or nuclear waste management. It is OPG's intent to have these funds held by a custodian outside of the Company. Actual costs incurred to operate waste management programs are applied against the segregated funds.

Revalorization arises because liabilities for used nuclear waste disposal and future fixed asset removal costs are stated in the balance sheet on a net present value basis. The revalorization charge is the adjustment that results from restating the liabilities to reflect the effect of inflation on the cost estimates and the time value of money effect on the future liabilities. Revalorization is disclosed in the consolidated financial statements as part of depreciation and amortization.

Ongoing operating costs incurred for temporary storage of used nuclear fuel during the generating station's operating life are reflected as ongoing operating and capital expenditures.

Revenue

Revenues are earned primarily through the sale of electricity to wholesale and large industrial customers in Ontario and to interconnected markets in the United States, Quebec and Manitoba. The wholesale electricity prices charged to Ontario customers are billed on a bundled basis including transmission and other related charges. OPG receives the bundled payments and distributes funds to the successor entities of Ontario Hydro under the terms of revenue allocation arrangements. The revenue allocation arrangements were designed so the undistributed balance of funds would provide OPG with planned revenue of 4¢/kWh based on forecasted energy demand and customer mix, together with a fixed amount for ancillary services. Variations between actual and forecast demand and customer mix result in changes to OPG's actual revenue per kWh.

Non-energy revenues include revenues from engineering analysis and design, technical and ancillary services, isotope sales, lease revenue, interest income related to the Bruce Power lease agreement and foreign exchange gains and losses. For other contracts, revenues are recognized as services are provided or products are delivered.

Foreign Currency Translation

Current monetary assets and liabilities in foreign currencies are translated into Canadian currency at year-end rates of exchange. Any resulting gain or loss is reflected in other revenue.

Derivatives

OPG enters into various hedging instruments in order to manage foreign exchange risk and commodity price risk through derivatives such as forward agreements, call or put options and energy swaps. When derivative contracts are used as a hedge to manage OPG's exposure to commodity price movements or foreign currency movements, the gain or loss on hedging instruments is recognized when the underlying transaction occurs. Gains or losses from foreign currency hedges are recorded in other revenue. Gains or losses from commodity price hedges are recorded in energy revenues or power purchases.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash on deposit and liquid money market securities with an original term to maturity that is less than 90 days on the date of purchase. All other liquid money market securities with an original term to maturity on the date of purchase greater than 90 days and less than one year are recorded as short-term investments. These securities are carried on the consolidated balance sheets at the lower of cost or market.

Interest earned on cash and cash equivalents and short-term investments is offset against interest expense in the consolidated statements of income.

Income and Other Tax

Under the *Electricity Act*, 1998, OPG is responsible for making payments in lieu of taxes to the OEFC. These payments are calculated in accordance with the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario), and are modified by regulations made under the *Electricity Act*, 1998.

OPG uses the liability method of tax allocation which requires that future income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

OPG is also required to make payments in lieu of property taxes on its generating assets to the OEFC. These payments, together with property taxes and a Gross Revenue Charge ("GRC"), are intended to approximate the total property tax paid by privately owned companies. The GRC was introduced by the Province effective January 1, 2001 to restructure the payment of municipal property taxes, water rentals and payments in lieu of property taxes from OPG's hydroelectric generating facilities. The GRC payments are set based on the gross revenue derived from the annual generation of electricity from these hydroelectric generating stations and are dependent on both energy prices and hydroelectric production.

Research and Development

Development costs related directly to the design or construction of a specific fixed asset are capitalized as part of the cost of the asset. Research and development costs, which are incurred to discharge long-term obligations such as the nuclear waste management liabilities, for which specific provisions have already been made, are charged to the related liability. All other research and development costs which do not qualify for deferral, are charged to operations in the year incurred.

Pension and Other Post Employment Benefits

OPG's post employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits. OPG accrues its obligations under pension and other post employment benefit ("OPEB") plans. Pension fund assets are valued using market-related values for purposes of determining actuarial gains or losses. When the recognition of the transfer of employees and employee related benefits gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. Pension and OPEB expenses and obligations are determined annually by independent actuaries using management's best estimates.

Pension and OPEB expenses include current service costs, interest costs on the obligations, the expected return on pension plan assets, adjustments for plan amendments and changes in assumptions, that result in actuarial gains or losses. Past service costs arising from pension and OPEB plan amendments are amortized on a straight line basis over the expected average remaining service life of the employees covered by the plan (EARSL). The excess of the net cumulative unamortized gain or loss, over 10% of the greater of the benefit obligation and the market-related value of the plan assets, is also amortized over EARSL.

During 2001, OPG changed its policy of accounting for the changes in the net actuarial gain or loss, to amortize the net cumulative unamortized gain or loss in excess of 10% of the greater of the benefit obligation and the market-related value of the plan assets. Previously, the entire change in the net actuarial gain or loss was amortized over EARSL and plan assets were valued at market for purposes of determining actuarial gains and losses. The change in accounting policy for pensions and OPEB was applied retroactively to April 1, 1999.

The impact of the change in the accounting policy for pension and OPEB, in addition to a revision to OPEB resulting from an assessment of OPG's claims history for 2000, is noted below:

(millions of dollars)	**2001**	2000
Decrease in opening retained earnings - January 1	**(124)**	(9)
Increase (decrease) in net income due to:		
Change in accounting policy for pensions	**(40)**	(144)
Change in accounting policy for OPEB	**10**	(3)
Revision for OPEB *(note 15)*	**-**	(32)
Income tax	**(2)**	64
Decrease in closing retained earnings - December 31	**(156)**	(124)
Decrease in basic and fully diluted earnings per share	**(0.12)**	(0.45)

Earnings per share

In 2000, The Canadian Institute of Chartered Accountants ("CICA") issued a revised Handbook Section 3500, Earnings Per Share, which became effective for fiscal years beginning on or after January 1, 2001. OPG has not issued any dilutive instruments since April 1, 1999, therefore, there is no impact on these consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Income Taxes

A reconciliation between the statutory and the effective rate of income taxes is as follows:

(millions of dollars)	2001	Restated (notes 2 and 15) 2000
Income before income taxes	218	879
Combined Canadian federal and provincial statutory income tax rates, including surtax	41.2%	43.9%
Statutory income tax rates applied to accounting income	90	386
Increase (decrease) in income taxes resulting from:		
Large corporations tax in excess of surtax	33	25
Substantively enacted changes in income tax rates	(46)	(18)
Other	(11)	(4)
	(24)	3
Provision for income taxes	66	389
Effective rate of income taxes	30.3%	44.3%

Significant components of the provision for income tax expense are presented in the table below:

(millions of dollars)	2001	Restated (notes 2 and 15) 2000
Current income tax expense (recovery)	(65)	310
Future income tax expense (benefits)		
Change in temporary differences	177	97
Substantively enacted changes in income tax rates	(46)	(18)
Provision for income taxes	66	389

The amount of income taxes paid for the year ended December 31, 2001 was $207 million (2000 - $136 million).

The income tax effects of temporary differences that give rise to future income tax assets and income tax liabilities are presented in the table below:

(millions of dollars)	**2001**	Restated *(notes 2 and 15)* 2000
Future income tax assets:		
Fixed asset removal and nuclear waste management	**1,388**	1,552
Other liabilities	**297**	358
	1,685	1,910
Future income tax liabilities:		
Fixed assets	**1,393**	1,608
Fixed asset removal and nuclear waste management fund	**364**	278
Other assets	**207**	172
	1,964	2,058
Net future income tax liabilities	**279**	148

4. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents as at December 31, 2001 include cash on account of nil (2000 - bank indebtedness of $51 million) and cash equivalents of nil (2000 - $616 million). Short-term investments were $39 million as at December 31, 2001 (2000 - $335 million). The yield earned on outstanding short-term investments as at December 31, 2001 was 3.75% (2000 - 5.55% to 5.96%).

5. Fixed Assets and Depreciation and Amortization

The depreciation and amortization expense consists of the following:

(millions of dollars)	**2001**	2000
Depreciation and amortization	**576**	540
Revalorization (5.75% rate)	**198**	202
Liability for fixed asset removal and nuclear waste management	**34**	21
Asset removal costs	**2**	1
	810	764

The fixed assets consist of the following:

(millions of dollars)	**2001**	2000
Property, plant and equipment		
Generating stations	**12,738**	12,361
Other fixed assets	**770**	706
Construction in progress	**952**	775
	14,460	13,842
Less: accumulated depreciation		
Generating stations	**1,227**	744
Other fixed assets	**252**	166
	1,479	910
	12,981	12,932

Interest capitalized at 6% (2000 - 6%) during the year ended December 31, 2001 was $29 million (2000 - $19 million).

6. Fixed Asset Removal and Nuclear Waste Management

OPG's nuclear generating stations produce nuclear waste in the form of radioactive nuclear fuel bundles along with low and intermediate level radioactive waste. In addition, certain components of the plants become contaminated over time and therefore each of the nuclear generating stations needs to be completely dismantled and safely decommissioned. OPG is also required to decommission its non-nuclear facilities.

The net liability for fixed asset removal and nuclear waste management on a present value basis consists of the following:

(millions of dollars)	**2001**	2000
Liability for nuclear waste management	**4,814**	4,561
Liability for nuclear fixed asset removal	**2,556**	2,417
	7,370	6,978
Liability for non-nuclear fixed asset removal	**127**	126
	7,497	7,104
Less: Receivable from Province of Ontario	**2,773**	2,622
Fixed asset removal and nuclear waste management	**4,724**	4,482

The accrual of fixed asset removal and nuclear waste management costs requires significant assumptions in their calculations, since these programs run for several decades. The decommissioning of nuclear stations requires cash flow estimates to 2071. The interest rate used to calculate the present value of each of the above liabilities at December 31, 2001 was 5.75% (2000 - 5.75%) and the cost escalation rates ranged from 2% to 3% (2000 - 2% to 3%). Under the terms of the lease agreement with Bruce Power L.P. ("Bruce Power"), OPG continues to be responsible for the nuclear fixed asset and nuclear waste management liabilities associated with the Bruce nuclear generating stations.

Significant assumptions underlying many operational and technical factors are also used in the calculation of the accrued liabilities and are subject to periodic review. Changes to these assumptions, as well as changes to assumptions on the timing of the programs or the technology employed, could result in significant changes to the value of the accrued liabilities. With programs of this duration and the evolving technology to handle the nuclear waste, there is a degree of risk surrounding the measurement of the costs for these programs, which may increase or decrease over time.

Liability for Nuclear Waste Management Costs

The liability for nuclear waste management costs represents the cost of managing the highly radioactive used nuclear fuel bundles as well as the cost of managing other low and intermediate level radioactive wastes generated by the nuclear stations. The current assumptions that have been used to establish the accrued used fuel costs include: long-term management of the spent fuel bundles through deep geological disposal; an in-service date of 2025 for used nuclear fuel disposal facilities; and an average transportation distance of 1,000 kilometers between nuclear generating facilities and the disposal facilities. Alternatives to deep geological disposal may be technically feasible and will be explored. The increase in the accrued costs for used nuclear fuel from current year's operations is charged to fuel costs.

The costs of low and intermediate level waste management, include the costs of managing such wastes during the operation of the nuclear stations, interim waste management, as well as the costs of ultimate long-term disposal of these wastes. The current assumptions used to establish the accrued low and intermediate level waste management costs include: an in-service date of 2015 for disposal facilities for low level waste; co-locating some of the intermediate level waste with low level waste starting in 2015; and co-locating the remainder of the intermediate level waste with used fuel starting in 2034. The increase in the accrued costs for low and intermediate level waste due to the waste produced during the year is charged to depreciation and amortization.

Liability for Nuclear Fixed Asset Removal Costs

Accrued nuclear fixed asset removal costs are the costs of decommissioning nuclear generating stations after the end of their service lives. The significant assumptions used in estimating future nuclear fixed asset removal costs include: decommissioning of nuclear generating stations in the 2028 to 2058 period on a deferred dismantlement basis (reactors will remain safely shut down for a 30-year period prior to dismantlement) and an average transportation distance of 1,000 kilometers between nuclear generating facilities and disposal facilities.

Liability for Non-nuclear Fixed Asset Removal Costs

Accrued non-nuclear fixed asset removal costs are primarily the costs of decommissioning fossil generating stations and the heavy water production facility after the end of their service lives. The significant assumption used in estimating future fossil generating station removal costs is that the estimated retirement date of these stations is in the 2005 to 2025 period.

OPG does not provide for the removal costs associated with its hydroelectric generating facilities as the costs cannot be reasonably estimated because of the long service life of these assets. With either maintenance efforts or rebuilding, the water control structures are assumed to be required for the foreseeable future.

Receivable from Province of Ontario for Nuclear Waste Management

On April 1, 1999, the Province agreed that the Province or its agent would fund certain fixed asset removal and nuclear waste management liabilities that were incurred prior to April 1, 1999. Details of which liabilities will be funded are being finalized with the Province. The balance of $2,773 million represents the Province's liability of $2,622 million as at January 1, 2001, as well as interest in the amount of $151 million accrued during the year ended December 31, 2001 based on a rate of 5.75% (2000 - 5.75%). The interest rate is under negotiation with the Province and is subject to change. The impact of the finalization of the interest rate is not expected to result in a material difference to the liability balance.

Segregated Funds and the Role of External Parties

OPG is contributing to segregated funds to provide for the remaining unfunded nuclear liabilities related to nuclear fixed asset removal and nuclear waste management. It is OPG's intent that these funds be held ultimately by a custodian outside of OPG and be used solely for nuclear fixed asset removal and nuclear waste management.

In April 2001, the Department of Natural Resources Canada introduced the Nuclear Fuel Waste Act which requires Canadian nuclear waste producers to establish a separately incorporated Waste Management Organization ("WMO") and to establish a fund for the discharge of their nuclear used fuel liability. The WMO will propose options related to the long-term management of used fuel and make a recommendation on the approach that should be adopted. This includes periodic approval of management plans by the Federal Government and the level of contribution required by each nuclear waste producer. Approval of the legislation is expected to take place in 2002.

In addition to the fund established through the WMO with respect to used fuel management, OPG will maintain segregated funds related to the disposal of other nuclear waste and nuclear fixed asset removal. Until such time as the legal nature of the segregated funds is finalized, OPG will continue to set aside these funds internally and will manage their investment and growth distinct from its other cash holdings. The contribution to segregated funds will be approximately $400 million per year. OPG plans to contribute to the segregated funds over the estimated remaining lives of its nuclear generating stations.

The fixed asset removal and nuclear waste management fund consists of the following:

(millions of dollars)	2001	2000
Nuclear fixed asset removal fund	**491**	462
Nuclear waste management fund	**717**	319
	1,208	781

Included in the segregated fund is interest earned of $57 million (2000 - $39 million) on the balance in the fund during 2001.

Nuclear Funds Agreement

OPG and senior staff at the Ontario Ministry of Finance have reached an understanding on key principles for the development of an agreement to establish, fund, and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and long-term nuclear waste management. OPG would be required to make contributions to nuclear segregated funds over the planned remaining operating lives of the nuclear station that, together with income earned and a contribution to be made by OEFC would cover all eligible costs estimated as of April 1, 1999. The Province or its agent would limit OPG's financial exposure with respect to increases in certain nuclear waste management costs in the event that the present value of those costs exceeds certain thresholds. In order to implement these principles, however, it will be necessary to successfully negotiate a definitive agreement and obtain necessary authorizations from the Province, including necessary Orders in Council.

As part of the proposed agreement the Province or its agent would provide to the Canadian Nuclear Safety Commission ("CNSC"), as required by the federal Nuclear Safety and Control Act, a guarantee that there will be funds available to discharge 100% of the nuclear decommissioning and waste liabilities. This guarantee relates to the portion of the liabilities that are not funded by OPG's segregated funds held internally or by the Provincial receivable to date. In return, OPG will pay to the Province a fee of 0.5% of the value of that guarantee. This guarantee is expected to commence in 2002, once the proposed agreement is finalized.

7. Long-Term Debt

The long-term debt consists of the following:

(millions of dollars)	**2001**	2000
Notes payable to the OEFC	**3,200**	3,400
Capital lease obligations	**20**	23
	3,220	3,423
Less: payable within one year		
Senior notes payable to the OEFC	**200**	200
Capital lease obligations	**5**	4
	205	204
Long-term debt	**3,015**	3,219

Details of OPG's long-term notes outstanding as at December 31, 2001 are as follows:

		Principal Outstanding ($ Canadian)		
Year of Maturity	**Interest Rate (%)**	**Senior Notes**	**Subordinated Notes**	**Total**
2002	5.44	200	-	200
2003	5.49	200	-	200
2004	5.62	300	-	300
2005	5.71	300	-	300
2006	5.78	300	-	300
2007	5.85	400	-	400
2008	5.90	400	-	400
2009	6.01	350	-	350
2010	6.60	-	375	375
2011	6.65	-	375	375
		2,450	750	3,200

Holders of the senior debt are entitled to receive, in full, amounts owing in respect of the senior debt before holders of the subordinated debt are entitled to receive any payments.

Interest paid during the year ended December 31, 2001 was $202 million (2000 - $206 million) of which $199 million relates to interest paid on long-term debt in 2001 (2000 - $202 million).

8. Short-Term Credit Facilities

OPG maintains a credit facility for $600 million with certain Canadian chartered banks ("Bank Credit Agreement") to fund working capital requirements and for general corporate purposes. This facility may be drawn upon in either Canadian or U.S. dollars at varying rates based on certain benchmark rates, including a prime rate, a bankers' acceptance rate, and a LIBOR rate. This facility is subject to renewal in March 2002.

OPG implemented a commercial paper ("CP") program in 2000. Under the CP program, OPG has the authority to issue short-term promissory notes up to a maximum outstanding principal amount of $600 million in Canadian currency, or the equivalent thereof in United States currency. Notes issued under the CP program are secured under the Bank Credit Agreement. As at December 31, 2001, there were no outstanding short-term notes issued under the CP program (2000 - $150 million; yields ranged from 5.81% to 5.89%).

9. Fair Value of Financial Instruments, Credit Risk, and Risk Management Instruments

Fair Value

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued charges, short-term notes payable, and the current portion of the long-term debt approximates their fair value due to the immediate or short-term maturity of these financial instruments. Fair values for other financial instruments have been estimated by reference to quoted market prices for actual or similar instruments where available. The carrying values and fair values of these other financial instruments are as follows:

(millions of dollars)	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Fixed asset removal and nuclear waste management fund	1,208	1,263	781	803
Long-term note receivable	225	268	-	-
Long-term accounts receivable and other assets	65	65	52	52
Financial Liabilities				
Long-term debt and long-term portion of capital lease	3,015	2,982	3,219	3,188
Long-term accounts payable and accrued charges	336	346	298	298

Credit risk

OPG manages counterparty credit risk by monitoring and limiting its exposure to counterparties with lower credit ratings, evaluating its counterparty credit exposure on an integrated basis, and by performing periodic reviews of the credit worthiness of all counterparties, including obtaining credit security for all transactions beyond approved limits.

OPG's diverse portfolio of counterparties in the Ontario and interconnected markets is made up of industrial, commercial and electric utility organizations. OPG's customers are primarily derived from the Ontario market where the credit risk is minimized mainly through a combination of OPG policies and transitional market rules. OPG accepts counterparties to forwards and other derivative contracts primarily through investment grade entities and through credit enhancements. Of the total credit extended in 2001, approximately 72% related to municipal utilities (2000 - 72%).

Risk Management Instruments

OPG makes purchases and sales denominated in United States dollars, which give rise to a risk that its income and cash flows may be adversely impacted by changes in foreign exchange amounts. In order to reduce OPG's exposure to fluctuations in the value of the Canadian dollar, OPG hedges anticipated transactions for purchases and sales using risk management instruments such as forward foreign exchange contracts. The $4 million book value of the outstanding forward foreign exchange contracts approximates fair value at December 31, 2001 (2000 - nil). The weighted average fixed exchange rate for the outstanding contracts at December 31, 2001 was U.S. $0.6373 for every Canadian dollar.

In 2002, OPG will be exposed to changes in electricity prices associated with an open spot market for electricity in Ontario. To hedge this commodity price exposure associated with changes in the price of electricity when the market opens in May 2002, OPG entered into various energy sales contracts with its customers in 2001. At December 31, 2001, OPG had energy sales contracts with terms ranging from 1 to 5 years and a notional contract volume in the aggregate of 14.3 TWh. Based on management's best estimate of the electricity forward price curve, the fair value (contract value as compared to management's best estimate of the forward price curve) of the energy contracts is not material.

In addition, OPG is required to provide transitional price relief to certain large power customers based on the consumption and average price paid by each customer during a reference period from July 1, 1999 to June 30, 2000. The maximum anticipated volume subject to the transitional price relief is approximately 5.4 TWh in the first year after market opening, 3.6 TWh in the second year and 1.8 TWh in each of the third and fourth years. The maximum length of the program is four years, with the possibility that it will expire after only two years if certain decontrol targets are met. The total unrealized loss on these energy contracts, based on management's best estimate of the forward price curve and assuming the maximum term of four years, is in the range of $250 to $300 million. These contracts have not yet been finalized and are subject to negotiation.

The fair value of OPG's currency derivative financial instruments as at December 31, 2001 was based on quoted forward rates. Forward price quotations for the Ontario electricity market after market opening are not widely available. OPG considers various factors to estimate forward prices, including market prices and price volatility in neighbouring electricity markets, market prices for fuel, and other factors.

10. Common Shares

The issued and outstanding common shares of OPG as at December 31, 2001 and 2000 consist of 256,300,010 common shares at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value.

11. Related Party Transactions

Related parties include the Province of Ontario, the other successor entities of Ontario Hydro, including Hydro One Inc. ("Hydro One"), the Independent Electricity Market Operator ("IMO"), the OEFC, and the Ontario Electricity Pension Services Corporation ("OEPSC"), which previously managed the pension funds on behalf of OPG. OPG also enters into related party transactions with its joint ventures and equity-owned investments that are subject to significant influence. The transactions between OPG and related parties are in the normal course of business under normal trade terms. These transactions are summarized below:

(millions of dollars)	2001		2000	
	Revenues	**Expenses**	Revenues	Expenses
Hydro One				
Electricity sales	**1,146**	**-**	867	-
Services	**8**	**36**	16	92
Province of Ontario				
Gross revenue charge/water rentals	**-**	**109**	-	117
OEFC				
Gross revenue charge/property tax	**-**	**194**	-	261
IMO-ancillary services	**102**	**2**	102	-
Joint venture companies				
Services	**9**	**42**	-	-
Systems	**-**	**12**	-	-
OEPSC-services	**6**	**-**	16	-
	1,271	**395**	1,001	470

At December 31, 2001, accounts receivable included $131 million (2000 - $93 million) due from Hydro One, $9 million (2000 - $9 million) due from the IMO, $2 million (2000 - nil) due from joint venture companies and $1 million (2000 - $2 million) due from OEPSC. Accounts payable and accrued charges at December 31, 2001 included $3 million (2000 - $15 million) due to Hydro One, $2 million due to the IMO (2000 - nil), $1 million (2000 - nil) due to joint venture companies and $1 million (2000 - $2 million) due to OEPSC.

12. Research and Development

For the year ended December 31, 2001, $39 million (2000 - $39 million) of research and development expenses were charged to operations. Development costs of $3 million were also capitalized (2000 - $6 million).

13. Segmented Information

OPG operates as a single segment business generating electricity in Ontario. Substantially all sales are in Canada. Electricity sales to the United States for the year ended December 31, 2001 were $195 million (2000 - $273 million). Sales to two customers represented 31% of total revenues for the year ended December 31, 2001 (2000 - 31%) and 31% of accounts receivable as at December 31, 2001 (2000 - 26%).

14. Contingencies and Commitments

Request for Judicial Review

In May 1999, an application was commenced by the Inverhuron & District Ratepayers Association ("IDRA") in the Federal Court Trial Division, requesting judicial review of the decisions of the Federal Minister of the Environment, the Minister of Fisheries and Oceans and the CNSC with regard to the Bruce used fuel dry storage facility project. The goal of the application was to overturn the decisions pursuant to the *Canadian Environmental Assessment Act* ("CEAA") that would allow the project to proceed. The application also sought to have the project referred to a review panel or mediator.

In May 2000, the Federal Court Trial Division refused the application. The IDRA appealed the Court's decision. The Federal Court of Appeal heard the appeal of the matter in May 2001 and released its decision in June 2001. A unanimous Federal Court of Appeal affirmed the decision of the Federal Court dismissing the IDRA's judicial review application. In September 2001, OPG was served with the IDRA's application for leave to appeal to the Supreme Court of Canada. OPG is expecting a decision from the Supreme Court in the late winter or early spring of 2002. Until OPG has this decision, OPG cannot be certain of the impact of this application on its business, results of operations, financial condition or prospects.

Environment

OPG inherited legacy environmental obligations from Ontario Hydro. A provision of $76 million was established as at April 1, 1999 for such obligations. During the year ended December 31, 2001, charges of $3 million (2000 - $3 million) were made against this provision.

Current operations are subject to regulation with respect to air, soil and water quality and other environmental matters by federal, provincial and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in its financial statements to meet OPG's current environmental obligations.

OPG has undertaken an initiative to install Selective Catalytic Reduction ("SCR") technology on two units at each of the Nanticoke and Lambton fossil generating stations, at an estimated cost of $285 million. The SCRs are scheduled to be in-service by the end of 2003 and will reduce 80% of all nitrogen oxide emissions from these four units.

Energy Conversion Agreement

Brighton Beach Power L.P. ("Brighton Beach"), a partnership formed by OPG and ATCO Power Ltd. ("ATCO"), has signed an energy conversion agreement with Coral Energy Canada Inc. ("Coral"). Under the energy conversion agreement, Brighton Beach will construct and own a 580 MW combined cycle natural gas fired power plant in Windsor, Ontario. Coral will deliver natural gas to the plant and will own, market and trade all the electricity produced. The energy conversion agreement has a term of 20 years.

Fuel Supply Agreements

OPG has entered into firm fuel supply agreements, some of which extend beyond 2002. The future obligation of $2,334 million (2000 - $1,464 million) under these agreements for each of the next five years and beyond is as follows:

(millions of dollars)	
Due in:	
2002	1,005
2003	560
2004	340
2005	138
2006	122
2007 and beyond	169
Total	**2,334**

15. Benefit Plans

The post employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits. Pension and OPEB obligations are impacted by factors including interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses.

OPG amended its benefit plans during 2001 and 2000, which resulted in pension and OPEB obligations for past service.

Curtailment and Settlements in 2001

OPG approved a restructuring plan which will include the reduction of approximately 2,000 employees, resulting in the curtailment of pension and OPEB benefit entitlements. The total amount of the curtailment loss that was recognized from restructuring activities for the year ended December 31, 2001 was $27 million.

In May 2001, OPG completed the close of the operating lease agreement with Bruce Power, which included the transfer of approximately 3,000 employees. A curtailment and a settlement of the pension and OPEB benefits occurred as a result of the transfer of employees to Bruce Power.

Pension Plan

The pension plan is a contributory, defined benefit plan covering all regular employees. OPG's pension plan was established effective December 31, 1999. In 2001, the transfer of the pension plan assets that were previously held by the OEFC was approved by the Financial Services Commission of Ontario under the *Pension Benefits Act* (Ontario). Subsequently, the pension plan assets were transferred to OPG's pension plan.

Pension fund assets principally include marketable equity securities and corporate and government debt securities, which are selected by professional investment managers. The fund does not invest in equity or debt securities issued by OPG.

Information about OPG's pension plan is as follows:

(millions of dollars)	2001	Restated 2000
Pension Plan Assumptions		
Expected return on plan assets	**7.75%**	7.75%
Rate used to discount future pension benefits	**6.75%**	6.75%
Salary schedule escalation rate	**3.25%**	3.25%
Rate of cost of living increase to pensions	**2.50%**	2.50%
Average remaining service life for employees (years)	**11**	11
Change in Pension Plan Assets		
Fair value of plan assets at beginning of year	**7,642**	7,274
Contributions by employees	**20**	33
Actual return on plan assets	**(11)**	527
Settlements	**(1,080)**	-
Benefit payments	**(219)**	(181)
Administrative expense	**(10)**	(11)
Fair value of plan assets at end of year	**6,342**	7,642
Change in Projected Pension Benefit Obligation		
Projected benefit obligation at beginning of year	**6,216**	5,174
Current service costs	**192**	187
Past service costs	**87**	189
Interest on projected benefit obligation	**393**	389
Curtailment loss	**80**	-
Settlement gain	**(896)**	-
Benefit payments	**(219)**	(181)
Net actuarial loss	**142**	458
Projected benefit obligation at end of year	**5,995**	6,216
Pension Plan Surplus	**347**	1,426

(millions of dollars)	2001	Restated 2000
Reconciliation of Pension Plan Surplus		
Pension plan surplus	347	1,426
Unamortized net actuarial gain	(199)	(1,116)
Unamortized past service costs	182	172
Deferred pension asset	330	482
Components of Pension Expense		
Current service costs	172	154
Interest on projected benefit obligation	393	389
Expected return on plan assets	(523)	(504)
Curtailment loss	25	-
Settlement loss	8	-
Amortization of past service costs	19	17
Amortization of net actuarial gain	(27)	(37)
Pension expense	67	19

Other Post Employment Benefits

In 2001, an assessment of OPG's claims history for OPEB resulted in a revision to OPEB expense and the accrued OPEB obligation in 2000 of $32 million, an increase in unamortized net actuarial loss to $90 million and a $20 million decrease in retained earnings for the year ended December 31, 2000. The revision was accounted for retroactive to January 1, 2000.

The long-term annual increase in the per capita cost of the major benefits ranges between 2.5% and 4.5% (2000 - between 2.5% and 4.5%), depending on the nature of the benefit. The discount rate used in determining the actuarial present value of the OPEB obligation ranges between 6.25% and 6.75% at December 31, 2001 (2000 - between 6.25% and 7.00%).

Information about OPG's OPEB is as follows:

(millions of dollars)	2001	Restated 2000
Change in Projected OPEB Obligation		
Projected OPEB obligation at beginning of year	1,207	828
Current service costs	51	43
Interest on projected benefit obligation	82	78
Benefit payments	(56)	(49)
Curtailment gain	(1)	
Settlement gain	(138)	
Net actuarial loss	91	264
Past service costs	11	43
Projected OPEB obligation at end of year	1,247	1,207

(millions of dollars)	2001	Restated 2000
Reconciliation of OPEB Obligation		
Accrued OPEB obligation at end of year		
Long-term obligation	**924**	1,032
Short-term obligation	**126**	46
Unamortized net actuarial loss	**160**	90
Unamortized past service costs	**37**	39
Projected OPEB obligation at end of year	**1,247**	1,207
Components of OPEB Expense		
Current service costs	**51**	43
Interest on projected benefit obligation	**82**	78
Curtailment loss	**6**	-
Amortization of net actuarial loss (gain)	**1**	(1)
Amortization of past service costs	**5**	4
OPEB expense	**145**	124

16. Decontrol, Joint Ventures and Partnerships

Decontrol of Bruce Nuclear Generating Stations

In May 2001, OPG completed the closing of the operating lease transaction to lease its Bruce A and Bruce B nuclear generating stations to Bruce Power. As part of the initial payment, OPG received $370 million in cash proceeds and a $225 million note receivable. Under the terms of the lease, OPG transferred to Bruce Power materials, certain fixed assets and pension assets and liabilities, and OPEB obligations.

Inventory and fixed assets

Under the terms of the lease, OPG transferred certain fuel and material inventory to Bruce Power, in addition to certain fixed assets. The total book value of the assets transferred was $185 million.

Deferred pension asset and other post employment benefits

OPG will transfer pension assets and liabilities related to the approximately 3,000 employees who transferred from OPG to Bruce Power. Bruce Power also assumed the liability for OPEB for these employees. OPG will pay Bruce Power for the liability that existed on, or before, the date of close, in respect of OPEB benefits over 72 months, with the first payment to commence one year from the date of closing plus applicable interest. The impact to the deferred pension asset and the value of the OPEB obligation will be finalized through actuarial processes which are expected to be completed in the first quarter of 2002.

Deferred revenue

Deferred revenue was recorded to reflect the amount of the initial payment, net of assets transferred as part of the lease agreement, and all closing costs and adjustments. The book value of the deferred revenue at December 31, 2001 was $228 million. The deferred revenue is being amortized over the initial lease term of approximately 18 years and is recorded as non-energy revenue.

Long-term note receivable

The initial payment of $225 million is payable to OPG in two installments of $112.5 million no later than four and six years from the date the transaction was completed. Interest is currently charged on the initial payment at a rate of 10.5%, escalating over time to 18% annually. The interest is recorded as non-energy revenue.

Nuclear fixed asset removal and nuclear waste management liabilities

Under the terms of the lease agreement, OPG continues to be responsible for the nuclear fixed asset removal and nuclear waste management liabilities. In addition to lease revenues earned for the management of used fuel, OPG earns service revenue for the management of low and intermediate level waste.

Decontrol of Fossil and Hydroelectric Generating Stations

As a condition of OPG's Ontario Energy Board issued generation licence, OPG is required to decontrol 4,000 MW of price setting capacity within 42 months of market opening which is expected to be May 1, 2002. In 2001, OPG initiated processes to decontrol four fossil generating stations including the 1,140 MW Lakeview station, the 2,140 MW Lennox station, the 310 MW Thunder Bay station and the 215 MW Atikokan station. OPG is also proceeding with the process to decontrol four hydroelectric stations, representing approximately 500 MW of capacity along the Mississagi River. Any transactions resulting from this process are expected to be completed during 2002.

17. Provision For Restructuring

In 2001, OPG approved a restructuring plan designed to improve OPG's future cost competitiveness. Completion of significant decontrol activities and completion of a number of other major initiatives over the next two years requires the restructuring of areas within OPG that support these operations. The restructuring charges are related to a reduction in the workforce of approximately 2,000 employees and include severance costs and related pension and OPEB expenses.

The provision for restructuring costs recorded for the year ended December 31, 2001 was $67 million. This amount consists of severance costs of $40 million, calculated based on the termination of approximately 600 employees in 2002, and costs of $27 million associated with the curtailment of pension and OPEB.

18. Subsequent Events

In 2001, OPG finalized its 10-year agreement with Business Transformation Services Inc. ("BTS"), a wholly owned subsidiary of Cap Gemini Ernst & Young to form New Horizon System Solutions Inc. ("New Horizon"), which also acquired OPG's processing and system services. The agreement included the transfer of approximately 600 employees to New Horizon, a joint venture owned 51% by BTS and 49% by OPG. By March 2002, OPG plans to have divested its ownership interest in New Horizon through the sale of its 49% interest to BTS.

19. Comparative Figures

Certain of the 2000 comparative figures have been reclassified and restated to conform to the 2001 financial statement presentation.

OTHER GOVERNMENT ORGANIZATIONS

AGRICORP

Management's Responsibility For Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Kenneth E Kapustiak

Philip Andrewes
Chair

Kenneth E.Kapustiak
Chief Financial Officer

Office of the
Provincial Auditor
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Bureau du
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Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2002 and the statements of operations and fund balances, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 6, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

AGRICORP

Balance Sheet
As at March 31, 2002

	2002 ($000s)	2001 ($000s)
ASSETS		
Cash	3,294	3,623
Accounts receivable (Note 4)	52,092	48,341
Funds under administration (Note 5)	13,472	18,457
Investments (Note 6)	202,527	294,000
Due from the Minister of Finance (Note 7)	141,099	229,601
Capital assets (Note 8)	987	712
	413,471	594,734
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	4,398	2,595
Unearned premiums and revenue (Note 9)	11,347	8,823
Provision for unsettled indemnities	65,542	130,124
Funds under administration payable (Note 5)	13,472	18,457
	94,759	159,999
Fund Balances (Notes 1 and 13)		
General Fund	4,213	1,526
Ontario Crop Insurance Fund	192,564	300,765
Market Revenue Program	121,935	132,444
	318,712	434,735
	413,471	594,734

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Kenneth E Kapustak

Director of Finance

AGRICORP

Statement of Operations and Fund Balance – General Fund
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Operating funding (Note 10)	9,366	10,090
Sales, consulting and other services	4,124	1,544
Interest Income	151	99
Reinsurance adjusting costs received (Note 11)	1,905	1,217
	15,546	12,950
Expenses		
Selling, general and administrative	12,288	12,313
Depreciation	571	546
	12,859	12,859
Excess of revenue over expenses	2,687	91
Fund balance, beginning of year	1,526	1,435
Fund balance, end of year	4,213	1,526

See accompanying notes to financial statements.

AGRICORP

Statement of Operations and Fund Balance – Ontario Crop Insurance Fund
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Premium from insured producers	35,214	31,646
Premium funding – Ontario and Canada (Note 3)	35,214	31,646
Interest and investment income	18,444	20,260
Reinsurance received (Note 11)	71,752	44,240
Bad debt recoveries	130	98
	160,754	127,890
Expenses		
Indemnities (Note 12)	261,276	144,174
Reinsurance (Note 11)	7,679	5,597
	268,955	149,771
Excess (deficiency) of revenue over expenses	(108,201)	(21,881)
Fund balance, beginning of year	300,765	322,646
Fund balance, end of year	192,564	300,765

See accompanying notes to financial statements.

AGRICORP

Statement of Operations and Fund Balance – Market Revenue Program
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Premium funding – Ontario and Canada (Note 3)	45,047	72,512
Interest income	5,726	12,319
	50,773	84,831
Expenses		
Indemnities (Note 12)	61,282	125,343
Excess (deficiency) of revenue over expenses	(10,509)	(40,512)
Fund balance, beginning of year	132,444	172,956
Fund balance, end of year	121,935	132,444

See accompanying notes to financial statements

AGRICORP

Cash Flow Statement
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses		
▪ General Fund	2,687	91
▪ Ontario Crop Insurance Fund	(108,201)	(21,881)
▪ Market Revenue Program	(10,509)	(40,512)
Adjustments to reconcile net income to funds provided by operating activities		
▪ Depreciation	571	546
▪ Net change in working capital	24,496	34,955
Cash flows from operating activities	(90,956)	(26,801)
Cash Flows from Investing Activities		
Purchase of capital assets	(846)	(506)
Decrease in investments	91,473	30,331
Cash flows used in investing activities	90,627	29,825
Net increase/(decrease) in cash	(329)	3,024
Cash at beginning of year	3,623	599
Cash at end of year	3,294	3,623

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements
March 31, 2002

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Current safety net programs include Crop Insurance and the Market Revenue Program.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

In January 2001, AgriCorp assumed responsibility from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) for the delivery of the Farm Business Registration Program established under the *Farm Registration and Farm Organizations Funding Act, 1993*. AgriCorp's obligations under an agreement with OMAFRA primarily include registration of farm businesses, collection of registration fees and, after deducting an administrative charge, forwarding the net fees to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and any adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

AGRICORP

Notes to Financial Statements
March 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities

Provision for unsettled indemnities represents management's best estimates of amounts to be paid. Some commodity price variables for the Market Revenue Program payment calculations cannot be finalized until the end of the 2002 calendar year. Certain Crop Insurance claims remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management estimates were made.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Crop Insurance

The current Canada-Ontario Crop Insurance Agreement came into effect April 1, 1997 and has no explicit expiry date. It can be terminated by either party with advance notice of two complete fiscal years. Under the terms of the Agreement, the Province and the Federal government share equally the cost of 50% of the premium with the producers paying the remaining 50%. The two levels of government share equally the selling, general and administrative expenses.

(b) Market Revenue

In March 2002, the Governments of Canada and Ontario extended the Canada-Ontario Market Revenue Agreement to include the 2001 and 2002 crop years. Under the terms of the Agreement, the Federal government is required to contribute $10 million to the Market Revenue Program on November 1st of each year. Canada will also contribute amounts per fiscal year subject to the availability of funds for this program. Ontario's contribution to the program is based on the residual funds available after deducting the contributions made to other programs from the total amount appropriated annually for safety net support. The Province and the Federal government each share equally in the cost of the selling, general and administrative expenses.

AGRICORP

Notes to Financial Statements
March 31, 2002

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2002 ($000s)	2001 ($000s)
Government funding	48,562	36,505
Accrued interest	9	27
Producer premiums, net	2,786	2,504
Trade	735	353
Reinsurance receivable	—	8,952
	52,092	48,341

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under these programs are provided by Ontario and Canada.

	2002 ($000s)	2001 ($000s)
Funds Under Administration		
Short-term investments	2,396	111,673
Cash (Outstanding payments)	11,076	(93,216)
	13,472	18,457
Funds Under Administration Payable		
Ontario Whole Farm Relief Program	2,446	11,013
Ontario Farm Income Disaster Program	4,503	4,922
Ontario Grain Stabilization Payment	-	2,261
Canada Grain Stabilization Payment	6,282	—
Ontario Farm Business Registration Program	92	144
Other	149	117
	13,472	18,457

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade money market instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

AGRICORP

Notes to Financial Statements
March 31, 2002

6. INVESTMENTS (CONTINUED)

(a) Portfolio Profile

Investments are as follows:

	2002		2001	
	Carrying Amount ($000s)	Fair Value ($000s)	Carrying Amount ($000s)	Fair Value ($000s)
Short-term	33,627	33,722	16,731	16,659
Long-term				
Government of Canada	20,706	20,721	47,965	46,961
Province of Ontario	32,391	32,837	32,609	33,305
Other provincial governments	34,199	33,826	48,734	48,106
Provincial utilities	47,198	46,843	46,685	46,612
Other financial institutions	34,406	32,968	101,276	101,032
Total long-term	168,900	167,195	277,269	276,016
Total Investments	202,527	200,917	294,000	292,675

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5.0% to 10.85% with a weighted average yield of 6.691%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in realized gains or losses if actual claims levels differed significantly from expected and quick liquidation of assets were required to meet obligations. At March 31, 2002, a 1% move in interest rates could impact the market value by approximately $6.2 million but bonds are generally held to maturity.

(c) Maturity Profile of the Investment Portfolio

	2002 ($000s)	2001 ($000s)
<1 Year	33,627	16,731
1-3 Years	25,828	53,032
3-5 Years	65,394	58,509
>5 Years	77,678	165,728
Total	202,527	294,000

AGRICORP

Notes to Financial Statements
March 31, 2002

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of AgriCorp.

8. CAPITAL ASSETS

	March 31, 2002			2001
	Cost ($000s)	Accumulated Amortization ($000s)	Net Book Value ($000s)	Net Book Value ($000s)
Computer hardware	2,189	1,343	846	425
Computer software	1,021	956	65	164
Leasehold improvements	115	106	9	32
Machinery and equipment	122	61	61	76
Vehicles	36	36	—	6
Furniture and fixtures	18	12	6	9
	3,501	2,514	987	712

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat ($5.67 million), forage ($1.99 million) and other crops ($2.58 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of the premiums. Unearned revenue ($1.11 million) includes operating funding related to the unamortized value of capital assets.

10. OPERATING FUNDING

Canada and Ontario have agreed to share equally the costs of administering the Ontario Crop Insurance Fund and the Market Revenue Program. The Federal contribution shall not be more than the provincial share even if that amounts to less than 50% of the incurred costs. Based on a reasonable estimate of the administrative workload, these costs are allocated to the Fund and Program 95% and 5%, respectively.

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses from 150% to 300% of total premiums.

AGRICORP

Notes to Financial Statements
March 31, 2002

11. REINSURANCE AGREEMENT (CONTINUED)

For the 2001 crop year, crop insurance losses surpassed the established threshold for reinsurance coverage. Payments made by reinsurance companies represent claims submitted for crop losses as well as adjusting costs incurred by the Corporation.

12. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period includes a $2.15 million under-provision for unsettled indemnities as at March 31, 2001 (2000 - $1.05 million under-provision for indemnities). In addition, the Ontario Crop Insurance Fund's operating results for the current period include a provision for unsettled indemnities relating to the 2001 crop year of $1.3 million (2000 - $4.02 million).

The Market Revenue Program's operating results for the current period includes a $2.9 million over-provision of unsettled indemnities as at March 31, 2001 (2000 - $711,000 over-provision). In addition, the Market Revenue Program's operating results for the current period include a provision for unsettled indemnities relating to the 2001 crop year of $64.2 million (2000 - $126.1 million).

13. SEGMENTED INFORMATION

	General Fund	Crop Insurance Fund	Market Revenue Program	Total 2002	Total 2001
			($000s)		
Assets					
Cash	3,202	92	—	3,294	3,623
Accounts receivable	737	5,989	45,366	52,092	48,341
Funds under administration	13,472	—	—	13,472	18,457
Investments	2,998	199,529	—	202,527	294,000
Due from the Minister of Finance	—	—	141,099	141,099	229,601
Capital assets	987	—	—	987	712
Inter-fund receivables/(payables)	245	—	(245)	—	—
	21,641	205,610	186,220	413,471	594,734
Liabilities					
Accounts payable and accrued liabilities	2,843	1,492	63	4,398	2,595
Unearned premiums and revenue	1,113	10,234	—	11,347	8,823
Provision for unsettled indemnities	—	1,320	64,222	65,542	130,124
Funds under administration payable	13,472	—	—	13,472	18,457
	17,428	13,046	64,285	94,759	159,999
Fund Balances	4,213	192,564	121,935	318,712	434,735

AGRICORP

Notes to Financial Statements
March 31, 2002

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation and the fair value of the net assets available to provide for the obligation, are as follows:

	2002 ($000s)	2001 ($000s)
Accrued pension obligation	2,447	1,915
Fair value of plan assets	2,312	1,873
Pension plan surplus (deficit)	(135)	(42)

Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7.5% per year, salary escalation was assumed to be 5% per year and 7% was used as the discount rate.

The pension plan remained in a deficit during the fiscal year due to low investment returns. Plan assets are invested in three balanced funds and one global equity fund.

	2002 ($000s)	2001 ($000s)
Fair value of plan assets - beginning	1,873	1,612
Contributions by the corporation	257	248
Contributions by the employees	257	248
Benefit payments	(169)	(164)
Return on plan assets	94	(71)
Fair value of plan assets – ending	2,312	1,873

To date, the Corporation has an accrued pension benefit liability as follows:

	2002 ($000s)	2001 ($000s)
Accrued benefit liability – beginning	33	28
Pension expense for the year	278	253
Contributions by the corporation	(257)	(248)
Accrued benefit liability – ending	54	33

15. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry $349,214 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. In addition, the Corporation paid the Ontario Realty Corporation $320,735 to rent their head office location.

AGRICORP

Notes to Financial Statements
March 31, 2002

16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was $47,470 during the year ending March 31, 2002 (2001 - $53,240).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2001 calendar year, the Corporation's former Chief Executive Officer, Mr. Alan Steel, was paid a salary of $133,679 plus taxable benefits of $10,551.

17. LEASE COMMITMENTS

The commitment on 21,283 square feet of office space currently occupied by the Corporation expires on March 31, 2003, at which time the Corporation has the option for an additional two renewal terms of three years each at the prevailing market rate. During the remaining portion of this lease, the corporation is committed to a minimum rental payment of $170,000.

Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
AGRICORP	STEEL	C ALAN	Chief Executive Officer	$133,679.46	$10,550.62

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May 31, 2002

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this Financial Statement. The financial statements have been prepared by Management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Finance, Audit and Human Resources Committee (FAHR).

The Board of Directors through the Finance, Audit and Human Resources Committee ensures that Management fulfills its responsibilities for financial information and internal control. This committee oversees the financial activities of Cancer Care Ontario and reviews the financial statements and the external auditors' report thereon.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ending March 31, 2002, Cancer Care Ontario's Board of Directors, through the Finance, Audit and Human Resources Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Provincial Auditor to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Provincial Auditor had direct and full access to the Finance, Audit and Human Resources Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

On behalf of Cancer Care Ontario Management

Alan R. Hudson, OC, FRCSC(C)
President and Chief Executive Officer

Naresh Khosla
Senior Vice-President, Financial Affairs & Chief Financial Officer

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
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Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 31, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	$ 5,372	$ 9,377
Short-term investments	3,016	–
Accounts receivable	12,046	10,905
Due from the Ministry of Health and Long-Term Care	45,720	34,025
Due from Community Foundations	3,177	–
Other	3,982	2,981
	73,313	57,288
Long-term investments (note 2)	55,766	61,187
Accrued pension asset (note 3)	8,858	11,726
Capital assets (note 4)	33,353	29,438
Other	454	548
	$ 171,744	$ 160,187
Liabilities, Deferred Contributions and Fund Balances		
Current accounts payable and accrued liabilities	$ 46,217	$ 57,048
Deferred contributions:		
Deferred operating grants (note 5(a))	9,681	11,112
Deferred depreciation grants (note 5(b))	9,998	8,253
Deferred contributions related to capital assets (note 5(c))	46,877	15,860
	66,556	35,225
Post-retirement benefits other than pensions (note 6)	4,864	2,955
Fund balances:		
Endowment	2,964	2,945
Internally and externally restricted	33,959	30,893
Invested in capital assets (note 7)	6,735	13,578
Related to post-retirement benefits (note 8)	3,994	8,771
Unrestricted	6,455	8,772
	54,107	64,959
Commitments (note 12)		
Contingency (note 13)		
	$ 171,744	$ 160,187

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2002, with comparative figures for 2001

	Restricted		General	
	2002	2001	2002	2001
Revenue:				
Ministry of Health and Long-Term Care	$ –	$ –	$ 265,955	$ 239,876
Investment income (note 9)	1,005	1,060	4,064	3,447
Donations, bequests and grants	6,880	8,061	230	615
Amortization of deferred contributions related to capital assets (note 5(c))	1,198	1,254	6,250	4,239
Other income	13,665	14,462	16,296	11,367
	22,748	24,837	292,795	259,544
Expenses:				
Salaries	4,886	3,977	139,633	124,605
Benefits (notes 3 and 6)	641	604	22,516	16,489
Drugs	5	54	61,665	48,427
Other operating (note 10)	10,758	13,413	54,029	51,728
Medical and surgical services and supplies	1,343	894	18,494	14,702
Amortization of capital assets	1,198	1,254	11,227	11,238
	18,831	20,196	307,564	267,189
Excess (deficiency) of revenue over expenses	$ 3,917	$ 4,641	$ (14,769)	$ (7,645)

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 2002, with comparative figures for 2001

						2002	2001
	Restricted		General				
	Endowment	Other Restricted	Invested in capital assets (note 7)	Related to post-retirement benefits (note 8)	Unrestricted	Total	Total
Balance, beginning of year	$ 2,945	$ 30,893	$ 13,578	$ 8,771	$ 8,772	$ 64,959	$ 67,963
Excess (deficiency) of revenue over expenses	19	3,898	(4,977)	(4,777)	(5,015)	(10,852)	(3,004)
Interfund transfers (note 11)	–	(832)	–	–	832	–	–
Invested in capital assets (note 7)	–	–	(1,866)	–	1,866	–	–
Balance, end of year	$ 2,964	$ 33,959	$ 6,735	$ 3,994	$ 6,455	$ 54,107	$ 64,959

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses - Restricted	$ 3,917	$ 4,641
Deficiency of revenue over expenses - General	(14,769)	(7,645)
Amortization of capital assets	12,425	12,492
Amortization of deferred contributions related to capital assets	(7,448)	(5,493)
Change in non-cash operating working capital	(27,531)	4,055
	(33,406)	8,050
Investments:		
Short-term investments, net	(3,016)	3,887
Long-term investments, net	5,421	792
Purchase of capital assets:		
Funded by contributions for capital assets	(18,206)	(10,576)
Internally funded	1,866	(4,403)
Other assets	94	80
Change in accrued pension asset	2,868	(3,712)
Change in post-retirement benefits other than pensions	1,909	2,955
Deferred contributions related to capital assets	38,465	10,576
	29,401	(401)
Increase (decrease) in cash	(4,005)	7,649
Cash, beginning of year	9,377	1,728
Cash, end of year	$ 5,372	$ 9,377

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2002

The government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997. It will facilitate significant improvements for cancer patients, their families and the public in the outcome, quality and efficiency of cancer services. The cancer services will encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act.

1. Significant accounting policies:

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, deferred contributions and fund balances at the date of the financial statements and the reported amounts on the statements of operations and changes in fund balances during the year. Actual results could differ from those estimates.

(a) Fund accounting:

The Organization uses the Restricted Fund method of accounting for contributions.

The General Fund accounts for the Organization's Ministry of Health and Long-Term Care funded programs and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund reports all externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a centre and are restricted for use by that centre.

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

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1. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to Ministry of Health and Long-Term Care funded programs are recognized as revenue of the General Fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

Restricted investment income earned on Endowment Fund resources are recognized as revenue of the Restricted Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received.

(c) Inventory:

Drug inventory is stated at lower of cost and net realizable value, and is included in other current assets.

(d) Investments:

Short-term investments are stated at cost, which approximates market. Short-term investments are those with original terms to maturity in excess of three months but less than one year. Short-term investments with maturity of less than three months are recorded as cash.

Long-term investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

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1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable

(f) Contributed services:

The Organization benefits from services provided by volunteers at the regional cancer centres. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Post-retirement benefits:

(i) Pension costs:

The pension expense and obligation have been actuarially determined using a modified unit credit methodology prorated on services and based on management's best estimate assumptions. The pension expense for the year also includes adjustments for plan amendments and changes in assumptions which are being amortized on a straight-line basis over the average remaining service period of active plan members. Experience gains or losses which exceed 10% of the greater of the benefit obligation and the fair value of plan assets are amortized over the average remaining service period of active plan members.

(ii) Post-retirement benefits other than pensions:

The cost of post-retirement benefits other than pensions is actuarially determined using the projected benefit method prorated on employment services and is expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the average remaining service period of active employees expected to receive benefits under the benefit plans.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

2. Long-term investments:

The carrying value and market value of the Organization's long-term investments are as follows:

2002	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 6,469	$ 6,456	2.4%	Under 1 year
Bonds	40,457	39,384	2.5 - 10.2%	0 - 31 years
Equities	8,840	8,498	N/A	N/A
	$ 55,766	$ 54,338		

2001	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 5,410	$ 5,382	4.9%	Under 1 year
Bonds	45,924	46,460	5.0 - 10.25%	0 - 28 years
Equities	9,853	9,460	N/A	N/A
	$ 61,187	$ 61,302		

Interest rate sensitivity is the main determinant of changes in the market value of the bonds.

The Organization does not have any significant exposure from investment concentration due to the diversified nature of the portfolio investments.

3. Pension costs and accrued pension asset:

The Organization has a defined contribution pension plan with a minimum defined benefit guarantee. As at March 31, 2002, the market value of pension assets was $204,952 (2001 - $191,309) and the accrued value of the pension obligation was $171,410 (2001 - $151,387). As at March 31, 2002, the surplus of the plan is $33,542 (2001 - $39,922).

Contributions made by the Organization during the year were $2,767 (2001 - $3,691). Contributions made by the employees during the year were $2,767 (2001 - $3,691). The amount of benefits paid during the year was $5,667 (2001 - $7,715).

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

3. Pension costs and accrued pension asset (continued):

The actuarial present value of the accrued pension benefits is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	2002	2001
Discount rate	7%	7%
Salary increases	5% per annum	5% per annum
Expected net rate of return on the plan assets	6.5% per annum	5% per annum

The pension expense for the year ended March 31, 2002 is $5,635 (2001 - $(21)).

4. Capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture, equipment and leasehold improvements	$ 30,155	$ 26,256	$ 3,899	$ 4,338
Therapeutic and other technical equipment	130,890	102,323	28,567	21,009
Radioactive cobalt and radium	943	884	59	88
Deposits on equipment	828	–	828	4,003
	$ 162,816	$ 129,463	$ 33,353	$ 29,438

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

5. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to Ministry of Health and Long-Term Care funded programs. Unspent amounts are held for use in subsequent periods or settlement by the Ministry. Changes in the deferred operating grant balance are as follows:

	2002	2001
Balance, beginning of year	$ 11,112	$ 9,372
Amounts received related to subsequent periods	4,164	9,063
Amount recognized as revenue	(4,505)	(1,933)
Amount returned to Ministry of Health and Long-Term Care	(1,090)	(5,390)
Balance, end of year	$ 9,681	$ 11,112

(b) Deferred depreciation grants:

Deferred depreciation grants represent unspent resources related to Ministry of Health and Long-Term Care depreciation funding. Funding changes in the deferred depreciation grant balance are as follows:

	2002	2001
Balance, beginning of year	$ 8,253	$ 7,705
Amounts related to subsequent periods	1,745	548
Balance, end of year	$ 9,998	$ 8,253

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

5. Deferred contributions (continued):

(c) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2002	2001
Balance, beginning of year	$ 15,860	$ 10,777
Amounts received related to capital assets	38,465	10,576
Amount recognized as revenue	(7,448)	(5,493)
Balance, end of year	$ 46,877	$ 15,860

The balance of unamortized capital contributions related to capital assets consists of the following:

	2002	2001
Unamortized capital contributions used to purchase assets	$ 26,618	$ 15,860
Unspent contributions	20,259	–
Balance, end of year	$ 46,877	$ 15,860

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

6. Post-retirement benefits other than pensions:

The Organization offers non-pension, post-retirement benefits to its employees, such as extended health care and drugs.

The accrued benefit liability as at March 31, 2002 under this unfunded plan is $4,864 (2001 - $2,955). The expense recognized for the year is $2,009 (2001 - $3,147).

The accrued benefit obligation as at March 31, 2002 is $12,187 (2001 - $17,730).

Benefits paid during the year were $100 (2001 - $192).

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligation are as follows:

	2002	2001
Discount rate	7%	7%
Salary increases	5%	5%
Hospital and dental care	8% in 2002 to 4% in 2007 and after	10% in 2001 to 4% in 2006
Normal retirement age	65	65

7. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2002	2001
Capital assets	$ 33,353	$ 29,438
Amounts financed by deferred capital contributions	(26,618)	(15,860)
	$ 6,735	$ 13,578

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

7. Invested in capital assets (continued):

Change in net assets invested in capital assets is calculated as follows:

	2002	2001
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 7,448	$ 5,493
Amortization of capital assets	(12,425)	(12,492)
	$ (4,977)	$ (6,999)
Net change in invested capital assets:		
Purchase of capital assets	$ 16,340	$ 14,979
Deferred contributions related to capital assets	(18,206)	(10,576)
	$ (1,866)	$ 4,403

8. Fund balance related to post-retirement benefits:

The fund balance related to post-retirement benefits represents the accrued pension asset, net of the post-retirement benefits other than pensions.

9. Investment income:

Net investment income earned on the Endowment Fund resources in the amount of $62 (2001 - $118) is included in the Restricted Fund.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

10. Other operating expenses:

	2002	2001
Restricted Fund:		
Research and other	$ 10,758	$ 13,413
General Fund:		
Purchased services	$ 22,430	$ 16,641
Building	13,660	9,267
Equipment	6,104	9,164
Other	8,450	8,870
Patient travel - referral program	1,453	6,030
Education and research programs and publications	1,132	956
Patient services	800	800
	$ 54,029	$ 51,728

11. Interfund transfers:

	2002	2001
Transfer to the General Fund from the Restricted Fund	$ 832	$ 507

The transfer from the Restricted Fund to the General Fund represents the release of internally restricted reserves.

12. Commitments:

The Organization leases computer and office equipment. Under the terms of the leases, future payments are estimated as follows:

2003	$ 2,077
2004	1,402
2005	562
2006	181
2007 and thereafter	1,092
	$ 5,314

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2002

13. Contingency:

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since its inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2002.

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

15. Subsequent event:

Subsequent to the year end, the Organization received notification that an application for a recovery of provincial sales taxes previously paid would result in a refund of approximately $2,300 including $300 of interest. This amount will be included in the determination of the excess (deficiency) of revenue over expenses for the year ending March 31, 2003.

Cancer Care Ontario

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Abd-El-Malek	Medhat	Radiation Oncologist	$131,562.08	$232.82
Abu-Zahra	Hakam	CEO/Medical Oncologist	$193,566.63	$223.20
Ackerman	Ida	Radiation Oncologist	$201,046.86	$429.74
Agboola	Olvsegun	Radiation Oncologist	$188,483.56	$432.38
Alam	Zeenat	Medical Oncologist	$201,901.86	$399.12
Anthes	Margaret	Radiation Oncologist	$268,974.66	$431.42
Arjune	Banskumar	Medical Physicist	$104,211.76	$258.68
Arnold	Andrew	Head, Medical Oncology	$207,480.56	$449.64
Ash	Robert	Radiation Oncologist	$111,297.17	$289.77
Assuras	John	Clinical Assistant	$124,596.69	$328.53
Balogh	Judith	Radiation Oncologist	$196,421.86	$0.00
Basrur	Vasanth	Oncology Consultant	$215,713.05	$0.00
Battista	Jerry	Chief Physicist II	$133,687.59	$348.54
Bauman	Glenn	Head, Radiation Oncology	$217,629.23	$445.18
Ben-David	Jaacov	Senior Scientist	$106,158.48	$227.16
Benger	Ann	Haematologist	$199,989.10	$437.94
Benk	Veronique	Radiation Oncologist	$163,076.37	$409.28
Berry	Scott	Medical Oncologist	$149,074.63	$387.51
Bertothy	Michele	General Practitioner in Oncology	$107,071.98	$286.90
Bissett	Randall	CEO/Radiation Oncologist	$325,733.94	$704.28
Bjarnason	Georg	Medical Oncologist	$133,374.90	$429.74
Bowen	Julie	Radiation Treatment, Program Leader	$236,257.11	$352.06
Bramwell	Vivian	Medical Oncologist	$239,864.57	$445.18
Browman	George	CEO/Medical Oncologist	$254,242.79	$494.98
Brundage	Michael	Radiation Oncologist	$204,952.78	$432.39
Brunskill	Ian	Senior VP, Planning & Administration	$158,178.58	$0.00
Buckstein	Rena	Medical Oncologist	$122,648.71	$315.32
Cairncross	Gregory	CEO/Medical Oncologist	$239,627.27	$449.55
Cameron	Ian	Medical Physicist	$100,479.98	$263.06
Campbell	Carolyn	Medical Oncologist	$117,188.08	$343.70
Cano	Pablo	Medical Oncologist	$214,386.96	$593.94
Chambers	Ann	Scientist	$102,669.79	$270.87
Choo	Richard	Radiation Oncologist	$196,421.86	$764.95
Chouinard	Edmond	Medical Oncologist	$199,989.10	$437.94
Chow	Edward	Radiation Oncologist	$178,334.06	$402.15
Chow	Thomas	Physicist	$103,811.65	$247.13
Clark	Carolyn	General Practitioner in Oncology	$103,939.95	$0.00
Corbett	Thomas	Radiation Oncologist	$208,878.10	$437.94
Covens	Allen	Head, Gynaecological Oncology	$119,347.87	$422.79
Cowan	Donald	Senior Consultant	$133,867.35	$359.21
Craigie	Pamela	General Practitioner in Oncology	$107,071.98	$286.90
Cripps	Christine M	Medical Oncologist	$211,120.58	$432.38
Cross	Peter	Radiation Oncologist	$188,483.58	$432.38
Curtis	John	Head, Medical Oncology	$212,789.23	$418.32
Cygler	Joanna	Senior Medical Physicist	$113,968.99	$299.54
Danjoux	Cyril	Radiation Oncologist	$196,421.86	$419.74
Dar	Abdul	Radiation Oncologist	$218,691.86	$429.74
Davey	Phillip	Radiation Oncologist	$196,421.86	$429.74
de Metz	Catherine	Radiation Oncologist	$203,948.84	$209.60
Dent	Susan	Medical Oncologist	$201,293.04	$432.38
Dhaliwal	Harbhajan	CEO/Medical Oncologist	$291,465.67	$431.42
Dingle	Brian	CEO/Medical Oncologist	$205,036.09	$297.24
Dixon	Peter	CEO/Radiation Oncologist	$214,214.46	$435.78
Doherty	Mary	Radiation Oncologist	$196,407.31	$429.74
Dunscombe	Peter	Chief Physicist	$129,410.81	$236.66
E	Choan	Radiation Oncologist	$160,185.96	$331.60
Eapen	Libni	Radiation Oncologist	$188,483.57	$432.38
Eisen	Andrea	Medical Oncologist	$117,278.96	$323.70

Cancer Care Ontario

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Ellis	Peter	Medical Oncologist	$112,063.83	$299.96
El-Sayed	Samy	Radiation Oncologist	$169,751.91	$432.38
Esche	Bernd	Radiation Oncologist	$149,669.07	$353.94
Evans	William	Executive VP, Clinical Programs	$298,482.41	$425.29
Falkson	Conrad	Radiation Oncologist	$110,120.46	$163.28
Farrell	Thomas	Physicist	$115,611.61	$278.40
Favell	Lisa	Director, Capital Planning	$132,689.28	$300.28
Figueredo	Alvaro	Medical Oncologist	$199,989.10	$437.94
Fisher	Barbara	Radiation Oncologist	$207,094.58	$429.74
Froud	Peter	Radiation Oncologist	$160,345.86	$336.70
Garcia	John	Director, Prevention Unit	$125,998.00	$328.08
Genest	Paul	Radiation Oncologist	$113,697.63	$265.90
Gerig	Lee	Chief Medical Physicist	$122,069.09	$322.34
Germond	Colin	Systemic Treatment, Program Leader	$280,391.58	$685.32
Gertler	Stan	Medical Oncologist	$211,120.59	$432.38
Gilchrist	James	Radiation Oncologist	$202,094.58	$429.74
Ginsburg	David	Medical Oncologist	$164,777.33	$353.94
Girard	Andre	Radiation Oncologist	$208,861.48	$452.28
Goel	Rakesh	Medical Oncologist	$211,120.58	$432.38
Goss	Glenwood	Medical Oncologist	$185,188.57	$367.22
Gregg	Richard	Medical Oncologist	$204,730.51	$432.39
Grimard	Laval	Radiation Oncologist	$188,483.56	$432.38
Grunfeld	Eva	General Practitioner in Oncology	$147,991.18	$0.00
Gulavita	Sunil	Head, Radiation Oncology	$316,193.74	$431.42
Halikowski	Marvin	Clinical Assistant	$177,124.14	$330.05
Hammond	James	Radiation Oncologist	$202,093.80	$428.96
Hayter	Charles	Radiation Oncologist	$194,540.36	$429.74
Herst	Jordan	Medical Oncologist	$220,863.75	$672.38
Hirte	Holger (Hal)	Medical Oncologist	$220,952.32	$453.66
Hodgert	Brenda	Dir.of Operations, Developing Centres	$104,335.55	$255.47
Hodson	Ian	Radiation Oncologist	$208,878.10	$437.94
Hollenberg	Charles	Senior Consultant	$200,015.24	$0.00
Holowaty	Eric	Director, Surveillance Unit	$130,824.81	$349.96
Huan	Susan	Medical Oncologist/Medical Coord., Education	$206,984.72	$405.14
Imrie	Kevin	Medical Oncologist	$202,294.86	$0.00
Iscoe	Neill	Medical Oncologist	$200,294.86	$415.37
Johanson	Curtis	Radiation Oncologist	$208,878.10	$437.94
Jones	Glenn	Radiation Oncologist	$208,878.10	$437.94
Jonker	Derek	Medical Oncologist	$146,139.64	$366.22
Joshi	Chandra	Medical Physicist	$103,905.66	$247.95
Karsan	Farrok	Radiation Oncologist	$307,924.17	$678.38
Kendal	Wayne	Radiation Oncologist	$169,781.53	$398.64
Kerr	Andrew	Medical Physicist	$107,348.17	$265.18
Khosla	Naresh	Senior VP/Chief Financial Officer	$213,112.13	$432.77
Knight	Andrew	General Practitioner in Oncology	$142,025.95	$326.54
Knight	Gregory	Medical Oncologist	$121,320.08	$343.70
Knight	Susan	Medical Oncologist	$177,639.44	$437.94
Kocha	Walter	Medical Oncologist	$203,852.66	$428.96
Koropatnick	James	Director, Cancer Research	$118,193.34	$246.97
Kreiger	Nancy	Head, Research Unit/Senior Epidemiologist	$116,840.68	$290.85
Lada	Barbara	Radiation Oncologist	$292,222.21	$672.38
Lam	Kit Ying	Senior Medical Physicist	$108,323.67	$267.48
Laurie	Scott	Medical Oncologist	$117,127.23	$305.46
Leszczynski	Konrad	Senior Physicist	$118,879.18	$281.88
Levin	Leslie	seconded to MOHLTC as Special Advisor of Cancer	$255,334.42	$466.24
Levine	Mark	Medical Oncologist	$199,551.16	$0.00
Lewis	Craig	Physicist	$107,112.49	$265.57
Lightstone	Alexander	Medical Physicist	$101,419.45	$255.23
Loblaw	Andrew	Radiation Oncologist	$115,454.08	$297.47
Lofters	Wycliffe	Head, Medical Oncology	$218,496.63	$445.32
Logan	Dianne	Medical Oncologist	$216,661.69	$435.44
Lohmann	Reinhard	Medical Oncologist	$229,261.44	$429.74

Cancer Care Ontario

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Lopez	Pedro	Medical Oncologist	$258,643.72	$679.24
Lukka	Himu	Radiation Oncologist	$216,016.14	$450.98
MacDonald	David	Medical Oncologist	$204,860.45	$428.96
Mackenzie	Robert	Radiation Oncologist	$214,463.12	$429.74
Mackillop	William	Head, Radiation Oncology	$218,718.90	$445.32
Madarnas	Yolanda	Medical Oncologist	$111,194.19	$348.95
Mah	Katherine	Senior Medical Physicist	$114,734.99	$0.00
Mai	Verna	Director, Screening Programs	$176,704.83	$464.42
Major	Pierre	Medical Oncologist	$199,989.10	$437.94
Malone	Shawn	Radiation Oncologist	$188,483.57	$432.38
Marcellus	Deborah	Haematologist	$165,488.43	$0.00
Maroun	Jean	Medical Oncologist	$231,758.48	$452.28
Matheson	Garth	Director, Regional Planning & Administration	$114,775.03	$278.86
Mathews	John	Medical Oncologist	$156,921.28	$365.38
McGhee	Peter	Chief Physicist	$145,540.05	$322.56
Meng	Joanne	Radiation Oncologist	$129,569.38	$305.48
Meyer	Ralph	Haematologist	$199,989.10	$437.94
Morton	Gerard	Radiation Oncologist	$196,521.86	$0.00
Mui	Jimmy	Radiation Oncologist	$175,254.11	$341.28
Neville	Alan	Medical Oncologist	$199,989.10	$437.94
Noble	Jonathan	Medical Oncologist	$188,902.39	$634.58
O'Brien	Peter	Chief Physicist	$143,164.95	$348.54
Okawara	Gordon	Radiation Oncologist	$208,878.10	$437.94
Osborne	Raymond	Gynaecological Oncologist	$112,341.83	$411.10
Ostapiak	Orest	Physicist	$104,004.18	$247.13
Panjwani	Dilip	Radiation Oncologist	$204,952.78	$432.39
Paszat	Lawrence	Director, Preventive Oncology	$202,652.45	$429.74
Patel	Malti	Radiation Oncologist	$208,878.10	$437.94
Patterson	Michael	Head, Medical Physics	$142,150.20	$349.94
Perera	Francisco	Radiation Oncologist	$202,094.58	$429.74
Perry	Gad	Radiation Oncologist	$186,765.06	$432.38
Peters	Victor	Physicist	$123,487.67	$299.84
Pignol	Jean-Philipp	Radiation Oncologist	$179,817.98	$429.74
Prichard	Hugh	Radiation Oncologist	$302,751.21	$672.36
Pritchard	Kathleen	Head, Clinical Trials & Epidemiology	$211,322.26	$429.74
Pross	Diane	Regional Medical Coordinator, OBSP	$124,581.68	$332.81
Raaphorst	Peter G	Chief Medical Physicist	$135,451.72	$350.18
Radwan	John	Radiation Oncologist	$202,094.58	$429.74
Rajasingham	Raj	Clinical Assistant	$106,776.93	$285.62
Rakovitch	Eileen	Radiation Oncologist	$194,772.11	$429.74
Read	Nancy	Radiation Oncologist	$191,951.83	$416.36
Reiter	Harold	Radiation Oncologist	$208,878.10	$437.94
Roberts	Wayne	Sr. Mgr. Information Services	$117,456.90	$274.09
Robillard	Lucile-M	General Practitioner in Oncology	$106,725.78	$286.64
Robins	Jean	Medical Physicist	$103,275.21	$265.18
Sagar	Stephen	Radiation Oncologist	$208,878.10	$437.94
Samant	Rajiv	Radiation Oncologist	$260,234.86	$495.53
Sankreacha	Raxa	Physicist	$100,783.04	$264.58
Sathya	Jinka	Radiation Oncologist	$208,878.10	$437.94
Sawka	Carol	CEO/Medical Oncologist	$249,467.20	$429.74
Schneider	Kenneth	Head, Radiation Oncology	$201,913.11	$399.12
Schreiner	John	Chief Physicist	$128,118.51	$322.60
Segal-Nadler	Roanne	Medical Oncologist	$211,120.56	$432.38
Sexton	Fred	Clinical Assistant	$100,082.21	$242.56
Shehata	Sarwat	Radiation Oncologist	$225,481.84	$396.20
Shelley	Wendy	Radiation Oncologist	$204,952.78	$432.39
Shumak	Kenneth	President & CEO	$152,499.01	$0.00
Sicheri	Dolores	Medical Oncologist	$202,131.00	$399.12
Simunovic	Marko	Surgical Oncologist	$193,363.19	$437.94
Singh	Gurmit	Director, Research	$119,104.33	$315.34
Skot	Janice	Director, Regional Planning and Administration	$112,044.86	$271.78
Slingerland	Joyce	Clinician Scientist	$217,104.50	$429.74

Cancer Care Ontario

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Smith	Anne	CEO/Medical Oncologist	$229,730.55	$464.22
Soubra	Mazen	Senior Medical Physicist	$112,187.27	$264.90
Spaner	David	Clinician Scientist	$217,104.50	$429.74
Springer	Colvin	Radiation Oncologist	$196,643.95	$399.12
Stern	Hartley	CEO/Medical Oncologist	$145,034.92	$0.00
Stevens	Robert	Medical Oncologist	$117,188.08	$343.70
Stewart	David	Medical Oncologist	$211,120.57	$432.38
Strang	Barbara	Radiation Oncologist	$129,830.74	$185.27
Sussman	Jonathan	Radiation Oncologist	$126,925.91	$292.60
Szabo	Joseph	Physicist	$110,425.85	$265.18
Szanto	Janos	Senior Medical Physicist	$116,618.04	$299.54
Szumacher	Ewa	Radiation Oncologist	$176,615.56	$402.15
Taylor	Donald	VP, HR & Organizational Development	$147,218.00	$328.08
Tenhunen	Linda	General Practitioner in Oncology	$142,025.95	$326.54
Thomas	Gillian	Head, Radiation Oncology	$210,999.11	$429.74
Tomiak	Anna	Medical Oncologist	$187,838.62	$412.26
Tomiak	Eva	Medical Physicist	$172,702.19	$0.00
Touche	Michael	General Practitioner in Oncology	$106,725.78	$286.64
Tozer	Richard	Medical Oncologist	$177,639.44	$437.94
Trudeau	Maureen	Head, Medical Oncology	$159,697.50	$429.74
Tso	May	Radiation Oncologist	$149,654.79	$345.44
Turley	Eva	Scientist	$105,302.57	$277.93
Ung	Yee	Radiation Oncologist	$199,421.86	$0.00
Van Dyk	Jake	Chief Physicist II	$133,687.59	$348.54
Vandenberg	Theodore	Head, Medical Oncology	$224,999.75	$445.18
Veldhuis	Ken	Clinical Assistant	$123,359.61	$328.53
Venkatesan	Varagur	Radiation Oncologist	$202,094.58	$429.74
Vergidis	Dimitrios	Head, Systemic Therapy	$285,224.28	$431.42
Verma	Shailendra	Medical Oncologist	$210,470.56	$432.38
Vincent	Mark	Medical Oncologist	$234,853.44	$429.74
Voruganti	Sachi	Radiation Oncologist	$203,333.21	$442.46
Vujovic	Olga	Radiation Oncologist	$132,066.34	$0.00
Waddell	Mary	General Practitioner in Oncology	$106,785.08	$0.00
Want	David	Radiation Oncologist	$162,359.55	$515.60
Warner	Ellen	Medical Oncologist	$199,294.86	$429.74
Weinroth	Judith	Clinical Assistant	$106,777.01	$270.69
Whelan	Tim	Radiation Oncologist	$208,878.10	$437.94
Whitton	Anthony	Radiation Oncologist	$237,835.99	$475.12
Wierzbicki	Rafal	Medical Oncologist	$197,528.78	$432.39
Winquist	Eric	Medical Oncologist	$243,102.29	$429.74
Wong	Raimond	Radiation Oncologist	$207,228.40	$437.94
Woo	Milton	Senior Medical Physicist	$118,145.62	$299.16
Wright	Jim	Radiation Oncologist	$208,878.10	$437.94
Wu	Jackson	Radiation Oncologist	$160,319.77	$342.62
Wyman	Douglas	Physicist	$123,634.05	$299.84
Yau	Jonathan	Director, Research/Medical Oncologist	$229,931.44	$424.90
Yeung	Tai	Senior Physicist	$107,897.07	$267.80
Yoshida	Sam	Medical Oncologist	$202,131.00	$399.12
Young	Scott	Medical Oncologist	$159,310.71	$573.90
Young	Vincent	Medical Oncologist	$211,120.58	$432.38
Youssef	Youssef	Radiation Oncologist	$204,952.78	$432.39
Yu	Edward	Radiation Oncologist	$202,094.58	$429.74
Zellmer	Darwin	Chief Medical Physicist	$171,105.58	$1,265.66

The Centennial Centre of Science and Technology

July 4, 2002

Management's Responsibility
For Financial Information

Management and the Board of Trustees of the Ontario Science Centre are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by Management in accordance with generally accepted Canadian accounting principles, and, where appropriate, include amounts based on Management's best estimates and judgements.

The Ontario Science Centre is dedicated to the highest standards of integrity in its business. To safeguard assets, the Centre has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information.

The Board of Trustees meets quarterly to oversee the financial activities of the Centre, including an annual review of the financial statements and the Provincial Auditor's report.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Lesley Lewis

Lesley Lewis
Director General

Grant Troop
Director
Business Planning and Operations

Office of the Provincial Auditor of Ontario

Auditor's Report

To the Board of Trustees of the Centennial Centre of Science and Technology
and to the Minister of Tourism and Recreation

I have audited the balance sheet of The Centennial Centre of Science and Technology as at March 31, 2002 and the statements of operations, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
July 4, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Balance Sheet
As at March 31, 2002

	2002 ($000s)	2001 ($000s)
ASSETS		
Current		
Cash and short-term investments	4,201	5,322
Accounts receivable	127	864
Prepaid expenses	439	149
Inventory of general stores and small tools	113	138
Work-in-progress	—	33
	4,880	6,506
Capital Assets (Note 4)	16,338	16,836
	21,218	23,342
LIABILITIES, EQUITY AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	1,108	2,268
Deferred income	2,235	1,692
Due to the Province of Ontario	1,434	9
Loans Payable [Note 9(b)]	167	767
	4,944	4,736
Long-Term Liabilities		
Loan Payable to Province of Ontario [Note 9(a)]	5,300	5,300
Loan Payable [Note 9 (b)]	497	664
	5,797	5,964
Deferred Capital Contributions (Note 5)	7,599	8,567
Equity		
Invested in Capital Assets (Note 6)	8,739	8,269
Deficit	(6,266)	(4,586)
	2,473	3,683
Special Purpose Fund (Note 3)		
Fund balance	405	392
	21,218	23,342

See accompanying notes to financial statements.

Approved on behalf of the Centre:

Trustee

Trustee

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Operations
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Province of Ontario		
Operating grant	11,191	11,154
Occupancy grant [Note 11(b)]	3,968	3,967
Other grants	981	963
Fees		
General Admission and Parking	3,355	3,685
Revenue from Ancillary Operations (Schedule 1)	8,572	11,075
	28,067	30,844
Expenses		
General Operations		
Exhibits and Programs	1,192	2,565
Marketing and Advertising	1,294	1,068
Visitor Services	3,506	3,200
Operations	5,055	4,731
Program Management	3,183	3,459
Administration	2,229	2,248
Research and Development (Note 12)	1,013	781
Occupancy Costs [Note 11(b)]	3,703	3,719
Expenses from Ancillary Operations (Schedule 1)	6,402	8,197
	27,577	29,968
Excess of Revenue over Expenses before amortization	490	876
Amortization of deferred capital contribution (Note 5)	968	1,086
Amortization Expense	(2,655)	(3,274)
Net loss for the year	(1,197)	(1,312)

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Changes in Equity
For the Year Ended March 31, 2002

	2002 ($000s)			2001 ($000s)
	Equity Invested in Capital Assets	Deficit from Operations	Total	Total
Balance, beginning of year	8,269	(4,586)	3,683	5,014
Capital assets purchased	2,157	(2,157)	—	—
Net loss for the year	(1,687)	490	(1,197)	(1,312)
Allocation of investment income to Special Purpose Fund	—	(13)	(13)	(19)
Balance, end of year	8,739	(6,266)	2,473	3,683

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Cash Flows
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Cash and short-term investments, beginning of year	5,322	5,230
Cash Flows from Operating Activities		
Net loss for the year	(1,197)	(1,312)
Adjustments against net loss not requiring an outlay of cash		
▪ Amortization of capital assets	2,655	3,274
▪ Amortization of deferred capital contribution	(968)	(1,086)
	490	876
Net change in non-cash working capital	713	122
Net cash generated through operating activities	1,203	998
Cash Flow from Investing and Financing Activities		
Capital Assets acquisitions	(2,157)	(139)
Reduction in long-term debt	—	(600)
Repayment of Loans	(167)	(167)
Net cash used in investing and financing activities	(2,324)	(906)
Cash and short-term investments, end of year	4,201	5,322

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Schedule of Revenue and Expenses from Ancillary Operations For the Year Ended March 31, 2002

SCHEDULE 1

	2002 ($000s)			2001 ($000s)		
	Revenue	Expenses	Net	Revenue	Expenses	Net
School Admissions/Programs	1,172	1,277	(105)	1,221	1,304	(83)
Camps	728	850	(122)	605	828	(223)
Facility Rentals	449	294	155	572	304	268
Omnimax	1,795	1,800	(5)	1,755	1,911	(156)
International Sales and Rentals	1,696	1,266	430	3,256	2,473	783
Sponsorship/Donations	1,161	556	605	1,646	1,006	640
Memberships	646	323	323	645	295	350
Concessions	531	1	530	632	1	631
Interest	330	33	297	601	37	564
Special Purpose Fund	13	—	13	19	—	19
Other	51	2	49	123	38	85
TOTALS	8,572	6,402	2,170	11,075	8,197	2,878

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2002

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1. NATURE OF THE BUSINESS

The Centennial Centre of Science and Technology, commonly known as the Ontario Science Centre, was established under *The Centennial Centre of Science and Technology Act.* The Centre's mission is 'To delight, inform and challenge visitors through engaging and thought-provoking experiences in science and technology'. The general operations of the Centre are supported by operating grants from the Province, by admission fees and by other revenues earned through ancillary business operations. Revenues and expenses related to ancillary business operations are reported on Schedule 1 of the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Centre have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Inventory is valued at the lower of cost or replacement cost.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Omnimax Theatre Leasehold Improvements	20 years
Leasehold Improvements	10 years
Exhibits	10 years
Exhibits - Rentals	4 years
Furniture, Fixtures and Equipment	5 years
Computer Equipment	3 years

The land on which the Centre is located is leased from the City of Toronto for $1 per annum on a 99-year lease which commenced July 1, 1965. The Ontario Realty Corporation owns the buildings which house the Centre.

(d) Pledges

Pledges to donate funds are included in income when received.

(e) Revenue Recognition

Revenue on exhibits manufactured for sale is recognized on a percentage of completion basis.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2002

3. SPECIAL PURPOSE FUND ADMINISTRATION

The use of certain sources of revenue may be restricted for a specific purpose by external contributors. The Board of Trustees can spend any funds not otherwise restricted by external contributors for any purpose, provided the expenditures promote the objectives of the Centre.

As at March 31, 2002, $67,320 (2001 - $67,320) of the special purpose fund balance was restricted by external contributors for use in supported activities.

4. CAPITAL ASSETS

Capital assets consists of the following:

	2002 ($000s)			2001 ($000s)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Exhibits	16,111	13,955	2,156	2,624
Exhibits – Rentals	3,111	745	2,366	1,013
Omnimax Theatre Leasehold Improvements	14,560	4,368	10,192	10,920
Leasehold Improvements	4,506	3,018	1,488	1,938
Furniture, Fixtures and Equipment	972	873	99	158
Computer Equipment	2 184	2,147	37	183
	41,444	25,106	16,338	16,836

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of donations and government grants received for acquiring capital assets. Revenue will be recognized on the same basis as the acquired capital assets are amortized, in order to properly match revenues with costs. The changes in the deferred contributions balance are as follows:

	2002 ($000	2001 ($000
Balance, beginning of year	8,567	9,653
Amortization of deferred capital contributions	(968)	(1,086)
Balance, end of year	7,599	8,567

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2002

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6. EQUITY INVESTED IN CAPITAL ASSETS

Equity invested in capital assets represents the following:

	2002 ($000	2001 ($000
Capital assets, net	16,338	16,836
Less amount financed by deferred capital contributions	(7,599)	(8,567)
	8,739	8,269

7. PROPERTY MAINTENANCE AND REPAIRS

Certain maintenance and repair expenses of the Centre are absorbed by the Province of Ontario and are not included in the Statement of Operations.

8. PENSION PLAN

The Centre provides pension benefits for substantially all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multiemployer defined benefit plans established by the Province of Ontario. These plan are accounted for as defined contribution plans as the Centre has insufficient information to apply defined benefit plan accounting to these pension plans. Accordingly, the Centre's share of contributions to the plans for the year was $724,000 (2001 – $682,000). These contributions have been included in salaries and employee benefits as disclosed in note 10.

In addition, the cost of post-retirement non-pension benefits were paid by MBS and are not included in the Statement of Operations.

9. LOANS PAYABLE

(a) Loan from Province of Ontario

The Province made an interest-free repayable loan of $5,300,000 to the Centre to construct the Omnimax Theatre. The Centre shall repay this loan by annual payments commencing in 1999/2000 in amounts equal to 50% of the average annual profits received by the Centre from the Omnimax Theatre during the previous two fiscal years, if any. Such annual payments shall continue until the principal of the loan is repaid.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2002

9. LOANS PAYABLE (CONTINUED)

(b) Food Service Agreement

The Centre has entered into a 10-year agreement with a food services company to provide food services until May 31, 2006. The company contributed approximately $1.5 million to the Centre for the construction of new restaurants and other food service related facilities, as stipulated under the terms of the agreement.

Under the terms of the agreement, the annual net profit from the food and beverage operations managed by the company are to be shared between the company and the Centre in accordance with a formula in the agreement. The agreement specifies certain fixed payments to the company as follows: (1) an annual management fee, starting at $130,000 in 1996/97, reduced by $10,000 for each of the following nine years; and (2) a refund of the $1.5 million contribution without interest in nine equal installments, which started in 1997/98.

10. REVENUE AND EXPENSES

During the year revenue and expenses were affected by the closure of the Centre from March 13 to March 31, 2002 due to the OPSEU strike.

Expenses are reported in the Statement of Operations on a functional basis. Total expenses by type are as follows:

	2002 ($000	2001 ($000)
Salaries and Employee Benefits	15,509	16,447
Other Direct Operating Expenses	12,068	13,521
	27,577	29,968

11. COMMITMENTS AND CONTINGENCIES

(a) Imax Dome Projection System Maintenance Agreement

The Centre has a ten-year agreement expiring in December 2006, with an automatic renewal for one further 10-year term, for leasing and servicing of an Imax Dome Projection System. The agreement commits the Centre to: (1) monthly rental payments to be calculated in accordance with a formula based on admission revenue; and (2) an annual maintenance fee of $66,000 (adjusted to reflect changes in the Consumer Price Index for Toronto).

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2002

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Occupancy Cost

Starting April 1, 1998, the Ontario Realty Corporation started to charge the Centre an accommodation fee for occupying its facilities. The accommodation charge is provided for in a five-year agreement, which ends March 31, 2003, and is to cover rent, taxes, maintenance and certain operating costs. The Centre receives a Ministry grant each year to fund this expenditure. The minimum lease payment for the remaining year of the agreement is $3,958,000.

The Centre also has a five-year lease agreement with the City of Toronto for the Centre's Parking Lot. The minimum lease payments for the remaining year of the lease is $40,000.

12. RESEARCH AND DEVELOPMENT FOR MAJOR CAPITAL PROJECT

In the Provincial Budget of May 2000, the province announced that the Ontario Science Centre would receive $15.0 million as a grant from the SuperBuild Fund, contingent on the Centre receiving matching funding from the private sector. The Centre is in negotiation with the province on an agreement to begin drawing grant funds. In the 2001/02 fiscal year, the Centre had expended $1,013,000 (2000/01 – $781,000) on research and development costs towards a major capital project. These costs have been expensed in the current year.

13. COMPARATIVE FIGURES

The March 31, 2001 comparative figures have been reclassified where necessary to conform to the current year's presentation.

Deloitte
& Touche

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Auditors' Report

To Board of Directors of the Education Quality and Accountability Office

We have audited the balance sheet of the Education Quality and Accountability Office as at March 31, 2002 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

Chartered Accountants

May 31, 2002

Deloitte
Touche
Tohmatsu

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Balance Sheet

March 31, 2002

	2002	2001
ASSETS		
Cash (Note 5)	**$ 550,101**	$ 101,791
Accounts receivable	**1,267,034**	-
	$ 1,817,135	$ 101,791
LIABILITIES		
Accounts payable and accrued liabilities	**$ 738,482**	$ 56,785
Deferred revenue	**1,033,647**	-
	1,772,129	56,785
EQUITY		
Surplus	**45,006**	45,006
	$ 1,817,135	$ 101,791

APPROVED BY THE BOARD

.... **Chair**

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Revenue and Expenditure

Year Ended March 31, 2002

	2002	2001
REVENUE		
Ministry of Education and Training	$ 54,118,423	$ 49,200,000
Other	1,536,441	248,203
	55,654,864	49,448,203
EXPENDITURE		
Salary, wages and benefits - Schedule 1	9,865,158	8,476,508
Transportation and communications - Schedule 2,	4,802,093	4,967,866
Service and rental - Schedule 3	40,091,095	35,348,068
Supplies and equipment - Schedule 4	896,518	650,073
	55,654,864	49,442,515
EXCESS OF REVENUE OVER EXPENDITURE	-	5,688
ACCUMULATED SURPLUS, BEGINNING OF YEAR	45,006	39,318
ACCUMULATED SURPLUS, END OF YEAR	$ 45,006	$ 45,006

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE
Notes to the Financial Statements
March 31, 2002

1. DESCRIPTION OF OFFICE

The Education Quality and Accountability Office was established by the Province of Ontario by the EQAO Act, June 1996. It was created to assure greater accountability and contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the basis of accounting as prescribed by EQAO Act and include the following significant accounting policies.

Capital assets

Capital assets are expensed in the year of acquisition.

Accounts payable

Expenses are recorded on the cash basis with the exception of payroll expenses which, are accrued.

Revenue

Revenues are recorded on the cash basis. Funds received and unexpended are recorded as deferred revenue.

3. STATEMENT OF CASH FLOW

A statement of cash flow has not been presented as it would not provide any additional useful information.

4. LEASE COMMITMENTS

The minimum annual lease payments related to the office lease and office equipment for the next three years are as follows:

2003	**$ 374,562**
2004	**$ 75,445**
2005	**$ 26,413**

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to the Financial Statements

March 31, 2002

5. OUTSTANDING PAYMENTS

During the year, the office introduced Grade Ten testing originally scheduled for October 2001. As a result of an information leak, the test was cancelled and rescheduled for February 2002 with resulting marking occurring in March and April 2002. Consequently, payments for certain related expenses were not made until after year-end. As this was a one-time occurrence and to provide comparative revenue and expense amounts, these expenses have been recorded in these financial statements despite the fact that the cash payment was not made within the year. In accordance with the cash basis of accounting policy, the payments have been recorded as outstanding in the cash account rather than accounts payable. The amount of these payments is $7,948,983.

6. COMPARATIVE FINANCIAL STATEMENTS

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Schedule of Salary, Wages and Benefits Expenditure

Year Ended March 31, 2002 **Schedule 1**

	2002	2001
Classified regular salaries	**$ 3,109,139**	$ 3,567,852
Employee benefits	**550,472**	612,430
Outside agencies and individuals	**1,669,758**	1,422,522
Unclassified regular salaries	**1,054,402**	900,631
Secondees salaries	**3,481,387**	1,973,073
	$ 9,865,158	$ 8,476,508

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Schedule of Transportation and Communications Expenditure

Year Ended March 31, 2002 **Schedule 2**

	2002	2001
Accommodations	**$ 1,559,684**	$ 1,879,297
Postage, purolator and courier	**426,219**	317,668
Relocation expenses	**654,747**	4,535
Telephone and fax	**304,450**	408,686
Travel charges	**149,155**	450,907
Travel for other individuals	**1,707,838**	1,906,773
	$ 4,802,093	$ 4,967,866

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Schedule of Service and Rental Expenditure

Year Ended March 31, 2002 **Schedule 3**

	2002	2001
Assessment services	**$ 1,470,886**	$ 1.477.402
Bank charges	**10,034**	20.002
Communication and print production	**45,937**	269.726
Conference and seminar	**3,955,921**	1.903.778
Consulting and outsourcing costs	**5,316,489**	4.119.408
Data entry and printing	**5,932,340**	5.258.868
Editorial and media relations	**888,611**	314.378
Housekeeping and security	**254,057**	112.095
Insurance	**30,964**	4.226
Marker per diem	**6,865,479**	8.664.972
Office and equipment rent and lease	**2,284,179**	2.760.129
Printing	**9,942,143**	4.934.027
Receipt and distribution services	**1,387,594**	4.001.903
Repairs and maintenance	**93,001**	23.808
Research and development services	**28,633**	139.514
Staff development and education	**87,553**	28.627
Supply teaching costs	**1,245,595**	950.735
Translation	**251,679**	364.470
	$ 40,091,095	$ 35.348.068

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Schedule of Supplies and Equipment Expenditure

Year Ended March 31, 2002 **Schedule 4**

	2002	2001
Books, maps and microfilm	**$ 12,686**	$ 18,650
Computers	**421,625**	51,059
Furniture and equipment	**25,120**	108,175
Miscellaneous supplies	**92,946**	177,214
Office supplies	**193,348**	201,393
Software	**150,793**	93,582
	$ 896,518	$ 650,073

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Schedule of Expenditures by Program

Year Ended March 31, 2002 **Schedule 5**

	2002 (000,000's)	2001 (000,000's)
Grade 3 Assessment Reading, Writing, Mathematics	$ 9.77	$ 11.72
Grade 6 Assessment - Reading, Writing, Mathematics	9.61	11.72
Grade 9 Assessment - Mathematics	12.19	4.93
Grade 10 Assessment - Ontario Secondary School Literacy Test - October administration	10.39	14.65
Education Quality Indicators Program	1.25	0.23
Early Learning Assessment	-	0.59
National & International Assessments	0.57	0.36
Operating & Technology	4.30	5.22
Ontario Secondary School Literacy Test - Feburary adminsitration	5.92	-
Core Subject Testing	1.65	-
	$ 55.65	$ 49.42

Greater Toronto Transit Authority

Auditors' Report

To the Members of the
Greater Toronto Transit Authority

We have audited the balance sheet of Greater Toronto Transit Authority as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
June 20, 2002

Greater Toronto Transit Authority
Balance Sheet

	March 31, 2002	December 31, 2001
	(in thousands of dollars)	
Assets		
Current		
Cash and cash equivalents	$ 80,092	$ 77,899
Short term investments (Note 1)	3,981	7,142
Accounts receivable	6,543	10,635
Spare parts and supplies	1,771	1,699
Prepaid expenses	1,961	2,244
	94,348	99,619
Capital assets (Note 2)	767,100	741,062
Intangible assets (Note 3)	32,131	32,213
	$ 893,579	$ 872,894
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 31,256	$ 40,273
Unearned revenue in respect of tickets sold and not used	3,839	2,955
Due to Cities of Toronto and Hamilton and Regional Municipalities of Durham, Halton, Peel and York (Note 4)	6,542	6,542
	41,637	49,770
Employee future benefits payable (Note 5)	17,511	17,028
	59,148	66,798
Net Assets		
Net assets invested in capital assets	767,100	741,062
Net assets invested in intangible assets	32,131	32,213
Net assets held in reserves (Note 6)	41,571	39,192
Deficiency of net assets	(6,371)	(6,371)
	834,431	806,096
	$ 893,579	$ 872,894

On behalf of the Members:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Greater Toronto Transit Authority
Statement of Operations

	For the Three Months Ended March 31, 2002	For the Year Ended December 31, 2001
	(in thousands of dollars)	
Revenue		
Operating revenue	$ 42,710	$ 171,546
Subsidies from the Cities of Toronto and Hamilton and Regional Municipalities of Durham, Halton, Peel and York	-	106,457
Investment income	245	3,121
Contribution from the Province of Ontario	50,201	-
Return of subsidies (Note 4)	-	(6,542)
	93,156	274,582
Expenses		
Labour and administration	16,738	63,376
Services	2,452	10,085
Supplies	443	1,225
Facility maintenance	8,613	29,923
Equipment maintenance	8,004	32,634
Operations	15,229	62,029
Amortization of capital assets	13,260	52,022
Amortization of intangible assets	82	327
	64,821	251,621
Excess of revenues over expenses prior to capital asset additions	$ 28,335	$ 22,961

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Greater Toronto Transit Authority
Statement of Changes in Net Assets

(in thousands of dollars)

	Invested in Capital Assets	Invested in Intangible Assets	Net assets held in Reserves (Note 6)	Deficiency	**For the Three Months Ended March 31, 2002** **Total**	For the Year Ended December 31, 2001 Total
Net Assets						
Balance, beginning of period	$ 741,062	$ 32,213	$ 39,192	$ (6,371)	**$ 806,096**	$ 783,135
Excess (deficiency) of revenues over expenses prior to capital asset additions	(13,260)	(82)	-	41,677	**28,335**	22,961
Investment in capital assets	39,298	-	-	(39,298)	-	-
Transfers to reserves (Note 6)	-	-	2,379	(2,379)	-	-
Balance, end of period	$ 767,100	$ 32,131	$ 41,571	$ (6,371)	**$ 834,431**	$ 806,096

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Greater Toronto Transit Authority
Statement of Cash Flows

	For the Three Months Ended March 31, 2002	For the Year Ended December 31, 2001
	(in thousands of dollars)	
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	$ 28,335	$ 22,961
Amortization of capital and intangible assets	13,342	52,349
Loss (gain) on disposal of capital assets	(7)	57
Change in non-cash working capital	(3,347)	1,726
	38,323	77,093
Investing activities		
Purchase of capital assets	(39,298)	(112,312)
Proceeds on capital assets disposals	7	165
Short term investments	3,161	65,285
	(36,130)	(46,862)
Net increase in cash and cash equivalents	2,193	30,231
Cash and cash equivalents, beginning of period	77,899	47,668
Cash and cash equivalents, end of period	$ 80,092	$ 77,899

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Greater Toronto Transit Authority
Summary of Significant Accounting Policies

March 31, 2002

Purpose of Organization

The Greater Toronto Transit Authority ("GTTA" or the "Authority") is a Crown agency carrying on business as "GO Transit". As a non-share capital corporation GO Transit reports to the Ministry of Transportation ("MTO"). GO Transit operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services serves communities across the Greater Toronto Area ("GTA") including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York and Durham.

On August 7, 1999, the transit business of Toronto Area Transit Authority ("TATOA"), known as GO Transit, was transferred from provincial jurisdiction to municipal jurisdiction reporting to the Greater Toronto Services Board ("GTSB"). It was through this transfer that the corporate name changed from TATOA to GTTA. On January 1, 2002, GO Transit was repatriated back to the province retaining its new corporate name (GTTA) but reporting, once again, through the MTO under the GO Transit Act, 2001. This act restructured GO Transit's Board and includes Members from an extended area throughout the Golden Horseshoe.

As a result of the repatriation back to the province, the year end of the Corporation has been changed from December 31 to March 31.

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for Not-For-Profit Organizations.

Spare Parts and Supplies

Spare parts and supplies are valued at the lower of cost and replacement cost.

Capital Assets

Capital assets are recorded at cost.

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Building and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Locomotives	20 years
Other railway rolling stock	25 years
Buses	12 years
Parking lots	20 years
Sundry - Furniture	12 years
- Other	3-5 years
Improvements to railway right-of-way and railway plant	20 years
Trackwork and installation	20 years
Leasehold improvements	20 years

Viability studies for future expansion represent costs deferred on a project-by-project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

Greater Toronto Transit Authority
Summary of Significant Accounting Policies

March 31, 2002

Intangible Assets

Intangible assets represent the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, the term of the lease plus one renewal period.

Commuter Services Revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

Subsidies

The Authority follows the deferral method of accounting for subsidies. Subsidies are recognized as revenue in the year in which the related expenses are incurred. Operating subsidies paid by the Province of Ontario are revenues.

Net Assets held in Reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the GTTA board and are disclosed on the balance sheet as equity.

All transactions of the reserves require approval by the GTTA board. They are reported in the statement of operations.

Interest income is allocated to the reserves on a pro rata basis. In the current year, no interest income was allocated to the reserves.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include funding, the recovery of capital assets, unearned revenue, amortization of capital assets and contingencies. Actual results could differ from those estimates as additional information becomes available in the future.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less and consist of money market instruments.

Short Term Investments

Short term investments are stated at the lower of cost and market value and include amounts with original maturities greater than three months and less than one year.

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2002 **(in thousands of dollars)**

1. Short Term Investments

Short term investments are comprised of Federal and Provincial Treasury Bills and Banker's Acceptance from Canadian Chartered Banks with maturities up to May 2002 and effective interest rates ranging from 1.9% to 2.1% (2001 - 2.1% to 3.0%).

2. Capital Assets

	2002		2001	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 156,922**	**$ -**	$ 156,880	$ -
Buildings	**245,953**	**119,420**	245,953	116,668
Leasehold improvements	**24,344**	**11,202**	24,344	10,906
Locomotives and other railway rolling stock	**146,204**	**57,753**	118,551	56,071
Improvements to railway right-of-way plant	**417,407**	**259,893**	417,407	255,915
Trackwork and installation	**71,911**	**38,284**	71,887	37,470
Construction-in-progress	**80,695**	**-**	82,714	-
Buses	**95,504**	**42,507**	82,068	40,785
Parking lots	**83,374**	**34,980**	83,355	33,998
Sundry	**59,781**	**50,956**	61,799	52,083
	$ 1,382,095	**$ 614,995**	$ 1,344,958	$ 603,896
		$ 767,100		$ 741,062

The Authority capitalizes engineering payroll costs where time has been spent on particular capital projects. The amount capitalized for the period ended March 31, 2002 was $357 (2001 - $1,378).

3. Intangible Assets

	2002		2001	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Leasehold, Union Station	**$ 32,703**	**$ 572**	$ 32,703	$ 490
		$ 32,131		$ 32,213

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2002 **(in thousands of dollars)**

4. Due to Cities of Toronto and Hamilton and Regional Municipalities of Durham, Halton, Peel and York

The amounts owing to the Greater Toronto Area and other Regional Municipalities includes $2,467 of subsidies received in 2001 in excess of funds required. The remaining $4,075 represents the pay out of the capital reserve fund in accordance with By-Law No. 63 of the Greater Toronto Services Board Act, 1998. The amounts are being returned to each of the participating municipalities in proportion to the funds received from each municipality respectively. The amounts owing are comprised of the following:

City of Toronto	$	3,150
City of Hamilton		200
Region of Durham		710
Region of Halton		651
Region of Peel		1,003
Region of York		828
	$	6,542

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5. Employee Future Benefits

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement Pension Fund (OMERS Pension Fund). There was no funding of pension benefits for the period ended March 31, 2002 because of a pension holiday scheduled to end December 31, 2002.

The Authority provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

In 2001, the Authority's management had an actuarial valuation done for accounting purposes, resulting in an accrued benefit obligation at December 31, 2001 of $17,028.

For the purpose of accounting for post-retirement non-pension benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Assumptions
Discount Rate - 6.75%
Expected average remaining service life - 13.5 years
Weighted average health rate - 8% per annum grading down to 4% in 4 years

	2002	2001
Current service cost	**$ 308**	$ 1,606
Interest cost	**307**	1,118
Benefits payments	**(132)**	(801)

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2002 **(in thousands of dollars)**

6. Net Assets held in Reserves

	MCOR	Employment Obligation	Self Insured Retention	Stabilization	Total Reserves
Balance, beginning of period	$ 36,290	$ 889	$ 2,013	$ -	$ 39,192
Revenue					
Transfers from operations	-	-	-	2,372	2,372
Proceeds from disposal of capital assets	-	-	-	7	7
	-	-	-	2,379	2,379
Expenditures	-	-	-	-	-
Balance, end of period	$ 36,290	$ 889	$ 2,013	$ 2,379	$ 41,571

7. Commitments

a) The minimum lease payments for premises in each of the next five years and thereafter are as follows:

2002	$ 2,081
2003	2,234
2004	2,207
2005	2,016
2006	1,976
Thereafter	5,477
	$ 15,991

b) The Authority has also committed approximately $65,410 for various capital asset additions over the next fiscal year.

c) The Authority has a lease with TATOA for 243 rail cars and 42 locomotives for total lease payments of one dollar per year terminating on July 1, 2006.

d) A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned or leased from TATOA by the Authority. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. The Authority has entered into the following agreements for approximately $75,800 per year:

(i) Master Operating Agreement with CN commencing June 1, 2001 terminating on May 31, 2008.

(ii) Commuter Agreement with CP for additional payments over the next 21 months.

(iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2006.

Greater Toronto Transit Authority
Notes to Financial Statements

March 31, 2002 **(in thousands of dollars)**

8. Contingent Liability

Various lawsuits have been filed against the company for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not yet determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity Market Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity Market Operator are described in the Summary of Significant Accounting Policies contained in Note 3 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 22, 2002.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by PricewaterhouseCoopers LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY MARKET OPERATOR

On behalf of management,

Dave Goulding

Dave Goulding
President & Chief Executive Officer

Gary Sherkey

Gary Sherkey
Vice President, Finance, CFO and Treasurer

Toronto, Canada
February 22, 2002

Auditors' Report

To the Board of Directors of the Independent Electricity Market Operator ("IMO")

We have audited the statement of financial position of the IMO as at December 31, 2001 and the statements of operations and accumulated surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the IMO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IMO as at December 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada
February 22, 2002

Statement of Operations and Accumulated Surplus (Deficit)

(in thousands of Canadian dollars)	For the Year Ended December 31, 2001 $	For the Year Ended December 31, 2000 $
REVENUES (Note 3(b))		
System fees	120.398	93.355
Ancillary services, rural rate assistance and remote subsidies	250.104	246.204
TOTAL REVENUES	**370,502**	**339,559**
EXPENSES		
Cost of ancillary services, rural rate assistance and remote subsidies	250.104	246.204
Labour	43.075	30.079
Transition costs	6.928	18.987
Computer Services and Support	14.044	3.787
Telecommunications	7.631	8.336
Other costs	10.005	8.838
Amortization	25.982	8.446
TOTAL EXPENSES	**357,769**	**324,677**
Net Income Before Interest	**12,733**	**14,882**
Interest income	3.072	1.450
Interest expense	(14.757)	(6.168)
NET INCOME FOR THE YEAR	**1,048**	**10,164**
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	8.556	(1.608)
ACCUMULATED SURPLUS - END OF YEAR	**9,604**	**8,556**

See accompanying notes to Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	As at December 31, 2001	As at December 31, 2000
	$	**$**
ASSETS		
Current Assets		
Cash & cash equivalents	116,109	105,622
Amount due under Transitional Revenue Allocation Agreement	33,468	28,827
Prepaid expenses & receivables	5,735	5,093
	155,312	**139,542**
Property & Equipment *(Note 4)*		
In service	251,072	58,554
Construction-in-progress	6,689	168,337
	257,761	**226,891**
Other Assets		
Prepaid operating expenses	440	2,100
Prepaid pension expense *(Note 7)*	24,103	21,323
	24,543	**23,423**
TOTAL ASSETS	**437,616**	**389,856**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities *(Note 5)*	50,146	47,821
Accrued interest	3,702	2,812
	53,848	50,633
Long-term Debt *(Note 6)*	353,200	311,534
Accrual for Employee Future Benefits Other than Pensions *(Note 7)*	20,964	19,133
TOTAL LIABILITIES	**428,012**	**381,300**
ACCUMULATED SURPLUS	**9,604**	**8,556**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**437,616**	**389,856**

See accompanying notes to Financial Statements

On behalf of the Board:

James C. Baillie

Barry E. Chuddy

Statement of Cash Flows

(in thousands of Canadian dollars)	For the Year Ended December 31, 2001 $	For the Year Ended December 31, 2000 $
OPERATING ACTIVITIES		
Net income for the year	1,048	10,164
Adjustments for non-cash items:		
Amortization	25,982	8,446
Increase in prepaid pension expense	(2,780)	(5,545)
Increase in accrual for employee future benefits other than pensions	1,831	1,146
	26,081	14,211
Changes in non-cash balances related to operations:		
Increase in accounts payable and accrued liabilities	3,855	1,773
(Increase)/Decrease in prepaid expenses and receivables	1,018	(1,860)
Increase in amounts due under Transitional Revenue Allocation Agreement	(4,316)	(1,524)
	557	(1,611)
Cash provided from operations	**26,638**	**12,600**
INVESTING ACTIVITIES		
Net sale of temporary investments	-	34,172
Investment in property & equipment	(57,817)	(112,142)
Cash used in investing	**(57,817)**	**(77,970)**
FINANCING ACTIVITIES		
Issue of long-term debt	41,666	150,000
Cash provided from financing	**41,666**	**150,000**
NET CHANGE IN CASH & CASH EQUIVALENTS	10,487	84,630
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	105,622	20,992
CASH & CASH EQUIVALENTS - END OF YEAR	**116,109**	**105,622**

See accompanying notes to Financial Statements

Supplementary Information: *(in thousands of Canadian dollars)*

Interest Paid	**21,454**	**13,831**

Notes to Financial Statements

1. Restructuring of the Ontario Electricity Industry

The North American electrical utility industry has undertaken initiatives to move away from traditional monopolies towards competitive models that are more conducive to customer choice. On October 30, 1998 the Government of Ontario enacted the Energy Competition Act, 1998 to restructure the business carried on by Ontario Hydro and introduce competition.

Prior to the restructuring, Ontario Hydro was a vertically integrated, rate-regulated electricity utility. On April 1, 1999, Ontario Hydro was restructured into a number of successor entities, as follows:

- Ontario Power Generation Inc. (OPG), a generation company,
- Ontario Hydro Services Company Inc., subsequently renamed Hydro One (HO1), a rate regulated transmission and distribution business, which operates certain energy services businesses in an unregulated business environment,
- Independent Electricity Market Operator (IMO), a non-profit organization which is the independent system co-ordinator,
- Electrical Safety Authority (ESA), a non-profit organization, which carries out electrical inspections previously conducted by Ontario Hydro, and
- Ontario Electricity Financial Corporation (OEFC), the continuing Ontario Hydro entity which has the objectives of managing debt, administering assets, liabilities, rights and obligations not transferred to a successor entity, and until July 3, 2001 acted as administrator of the OEFC Pension Plan.

2. Nature of Operations

Independent Electricity Market Operator was created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act*, the IMO operates pursuant to a license granted by the Ontario Energy Board.

The IMO is a not-for-profit, non-taxable corporation without share capital whose objects are set out in Part II, sub-section 5(1) of the Electricity Act as follows:

- to exercise and perform the powers and duties assigned to the IMO under the *Electricity Act, 1998*, the market rules and license,
- to enter into agreements with transmitters giving the IMO the authority to direct the operations of their transmission systems,
- to direct the operations and maintain the reliability of the IMO-controlled grid to promote the purposes of the *Electricity Act, 1998*,
- to establish and operate the IMO-administered markets to promote the purposes of the *Electricity Act, 1998*,
- to collect and provide to the public information relating to the current and future electricity needs of Ontario and the capacity of the integrated power system to meet those needs,
- to participate in the development by any standards authority of standards and criteria relating to the reliability of the transmission systems,
- to work with the responsible authorities outside Ontario to co-ordinate the IMO's activities with their activities.

As specified in the *Electricity Act*, any surplus generated shall be used by the IMO for the purposes of carrying out its objects. The IMO expects to recover any deficits in future system fees, subject to approval by the Ontario Energy Board.

The IMO substantially completed development and testing of the necessary systems, processes and other requirements of the IMO-administered markets in June 2001. The Government of Ontario has announced that the competitive electricity market will open on May 1, 2002. Following market opening, the IMO will derive fees from administering the market.

3. Summary of Significant Accounting Policies

a) Basis of financial statement preparation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

b) Revenue recognition

In accordance with an agreement ("Transitional Revenue Allocation Agreement") between the IMO and the other successor entities of Ontario Hydro, the IMO receives system fees and ancillary service fees. The Transitional Revenue Allocation Agreement covers the transition period up to market opening.

c) Transition costs and construction-in-progress

The IMO plays a key role in conjunction with future market participants and other stakeholders in the development of the wholesale competitive electricity market in Ontario. As part of this role, the IMO is charged with developing and implementing the systems, including hardware and software, processes and procedures required to operate the competitive marketplace.

Costs relating to this initiative are capitalized to construction-in-progress, based on the expected future benefit, or charged to current operations as transition costs. Capitalized costs generally relate to the costs of physical facilities, hardware and software required for the operation of the market and include costs paid to vendors, internal and external labour, consultants, an applicable share of overhead, and an allocation of interest related to funds borrowed to finance the project. Costs relating to construction-in-progress are transferred to property and equipment in service when the asset under construction is deemed to be ready for use. Transition costs generally relate to the design of market rules, market and internal processes and procedures, and training and include costs for internal and external labour, consultants, and an applicable share of overhead.

d) Property and equipment in service

Property and equipment are capitalized at cost, which comprises materials, labour, external support, overheads, and interest applicable to capital activities

e) Amortization

The capital cost of property and equipment in service is amortized on a straight-line basis over their estimated service lives

The estimated service lives in years, from the date the assets were transferred from Ontario Hydro or subsequently acquired, are

Class	Estimated Average Service Life
Facilities	41
Data Acquisition and Computer Systems	4
Market Systems and Applications	4 to 7
Infrastructure and Other Assets	4 to 10

Gains and losses on sales of property and equipment and losses on premature retirements are charged to operations as adjustments to amortization expense Removal costs are charged to amortization expense as incurred

The estimated service lives of property and equipment and the significant assumptions underlying the estimates of removal costs are subject to periodic review The impacts of changes in the estimated lives of property and equipment are amortized on a prospective basis. The most recent review was completed in fiscal 2001

f) Cash and cash equivalents

Cash and cash equivalents comprise cash, term deposits and other short term investments with original maturity dates of less than 90 days

g) Temporary investments

Short-term money market investments with original maturities of 90 days or longer are classified as temporary investments and valued at amortized cost Premiums and discounts are amortized to income using the constant yield method over the period to maturity

h) Pension and other post-employment benefits

The IMO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits

The IMO accrues obligations under pension and other post-employment benefit ("OPEB") plans and the related costs, net of plan assets Pension fund assets are valued using market related values for equities, whereby fund assets are calculated using a five-year moving average of year-end market values, and market values for fixed income securities Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimates using a measurement date of September 30

Pension and OPEB expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions, and experience gains or losses, which are amortized on a straight line basis over the expected average remaining service life of the employees covered by the plan Pension and OPEB expenses are recorded during the year in which employees render services

i) Fair value of financial instruments

The carrying amounts reported in the statements of financial position for financial instruments, comprising current assets and current liabilities approximate to their fair values The fair value of the long-term debt is not readily available

j) Foreign exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the statements of financial position date are translated in Canadian dollars at the rate prevailing at that date Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled

k) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates

4. Property and Equipment

(in thousands of Canadian dollars)	*As at December 31, 2001*			*As at December 31, 2000*
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Property and equipment in service	$	$	$	$
Facilities	41,533	2,844	38,689	39,556
Data Acquisition and Computer Systems	26,515	19,498	7,017	14,081
Market Systems and Applications	164,719	12,676	152,043	1,560
Infrastructure and Other Assets	60,977	7,654	53,323	3,357
	293,744	42,672	251,072	58,554
Construction-in-progress	6,689	-	6,689	168,337
	300,433	**42,672**	**257,761**	**226,891**

Substantially all assets relating to construction-in-progress were deemed to be ready for use on July 1, 2001. At this time, all of the IMO's asset classes were reviewed, resulting in a regrouping of property and equipment into the classes identified above. In addition, adjustments were made to reflect management's estimates of remaining asset service lives. The impact of these changes in estimates was an increase in amortization expenses of $1,290,000 in the year.

Interest capitalized to construction-in-progress during 2001 was $5,591,124 (2000 - $6,148,510).

5. Accounts Payable & Accrued Liabilities

(in thousands of Canadian dollars)	*As at December 31, 2001*	*As at December 31, 2000*
	$	$
Relating to Transitional Revenue Allocation Agreement	20,842	20,517
Relating to property and equipment	11,589	12,554
Relating to operations	17,715	14,750
	50,146	**47,821**

6. Long-term Debt

(in thousands of Canadian dollars)	*As at December 31, 2001*	*As at December 31, 2000*
Notes Payable To	$	$
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
The Province of Ontario	275,000	233,334
	353,200	**311,534**

Note Payable to OEFC

The long-term note payable to Ontario Electricity Finance Corporation (OEFC) is unsecured, bears interest at 7.9% per annum and is repayable in full on May 1, 2009. Interest accrues daily and is payable in arrears, in equal semi-annual payments on May 1 and November 1 of each year.

Note Payable to the Province of Ontario

The long-term note payable to the Province of Ontario is unsecured, and bears interest at 6.24%. Interest accrues daily and is payable in arrears, in equal semi-annual payments on May 3 and November 3 of each year. The loan is repayable in full on November 3, 2003.

The loan agreement provides for an extension of the repayment date if on or before October 27, 2003, the IMO is unable to obtain a credit rating, or has obtained a credit rating below a specific level, to the earlier of March 31, 2005 or six months after which a credit rating is either received or revised to a specific level. The loan will bear interest during the period of extension equal to the floating Bankers Acceptance rate plus 50 basis points.

Credit Facility

IMO has a revolving credit facility agreement with a Canadian chartered bank. As at December 31, 2001 no balance was drawn on the credit facility (as at December 2000, $158,000 was drawn and included in cash and cash equivalents). The agreement provides for the bank to make available to the IMO a committed extendible 364-day revolving credit facility of $20 million for general working purposes. The credit agreement is unsecured. Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 5 basis points per annum. Upon acceptance of each Bankers' Acceptance of the IMO by the bank, the IMO shall pay a Stamping Fee of 15 basis points per annum to the Bank.

Additionally, the IMO has an agreement with the bank under which the bank will make available to the IMO a committed, unsecured 364-day revolving credit facility in an amount up to $100 million. This facility will mainly be used to fund shortfalls in amounts owed to the IMO by Market Participants for payment to other Market Participants prior to their recovery under the provisions of the market rules.

7. Benefit Plans

The IMO provides pension and other employee future benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension Plans

From April 1, 1999 to December 31, 1999, the IMO participated in the OEFC Pension Plan, a contributory defined benefit, registered pension plan formerly known as the Pension and Insurance Fund of Ontario Hydro. As part of the restructuring of the electricity industry in Ontario, the assets, liabilities and a share of the OEFC Pension Plan's surplus was notionally allocated to each of the successor entities of Ontario Hydro on April 1, 1999.

The Independent Electricity Market Operator Pension Plan (the Plan) commenced on December 31, 1999 and assumed the IMO's share of the pension liabilities of the OEFC Pension Plan on January 1, 2000. The Plan received assets from the OEFC Pension Plan on July 3, 2001.

In addition to the funded, registered, pension plan, the IMO provides certain non-registered defined benefit pensions through an unfunded, non-registered plan.

Other Employee Future Benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of Accrued Benefit Obligations and Plan Assets

(in thousands of Canadian dollars)	2001 Pension Benefits	2000 Pension Benefits	2001 Other Benefits	2000 Other Benefits
	$	$	$	$
Accrued benefit obligation	193,401	173,209	25,863	24,580
Fair value of plan assets	216,499	249,295	-	-
Funded status	23,098	76,086	(25,863)	(24,580)
Prepaid (accrued) benefit cost recognized in the statements of financial position	24,103	21,323	(21,689)	(19,858)

Summary of Principal Assumptions Used to Calculate Benefit Costs and Obligations

(in thousands of Canadian dollars)	2001 Pension Benefits	2000 Pension Benefits	2001 Other Benefits	2000 Other Benefits
Discount rate	7.0% - 7.25%	7.0% - 7.45%	7.0% - 7.25%	7.0% - 7.45%
Expected return on plan assets	7.25%	7.25%	-	-
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%
Rate of benefit increases	2.5% - 3.0%	2.5%	-	-
Expected average remaining service life of employees	12 years	12 years	12 years	12 years

Hospital and drug costs are assumed to increase by 7.0% in 2002, 6.0% in 2003, and by 5.0% per annum thereafter. Dental costs are assumed to increase by 5.0% per annum.

Summary of Benefit Costs and Plan Contributions

(in thousands of Canadian dollars)	2001 Pension Benefits	2000 Pension Benefits	2001 Other Benefits	2000 Other Benefits
	$	$	$	$
Benefit cost (income)	(2,759)	(5,545)	2,604	2,084
Employer contributions	14	2	749	669
Plan participant's contributions	1,422	813	-	-
Benefits paid	7,049	4,848	795	576

8. Segmented Information

IMO consists of a single business engaged in the operation of the wholesale electricity system in Ontario.

9. Commitments

Operating Commitments

The obligations of the IMO with respect to non-cancellable operating leases over the next five years are as follows:

(in thousands of Canadian dollars)

2002	2003	2004	2005	2006
$	$	$	$	$
1,874	1,346	1,215	797	826

Capital Commitments

As at December 31, 2001, the IMO had non-cancellable capital commitments of $10,141,994.

Public Sector Salary Disclosure Listing for the IMO

RECORD OF IMO EMPLOYEES - YEAR 2001 SALARIES & TAXABLE BENEFITS

Employer	Employee Number	Last Name	First Name	JobTitle	Gross Salary	Taxable Benefits
IMO	000417235	ANDERSON	DAVID	Manager Quality Development & Assurance	$145,628.02	$828.96
IMO	000235620	ARMSTRONG	LOUIS	Engineer/Officer - Telecommunications & CN	$101,924.33	$300.24
IMO	000314790	BABCOCK	TIM	Exchange Coordinator	$114,254.51	$430.68
IMO	000504623	BAKSI	JIM	Settlement Production Manager	$139,520.35	$807.84
IMO	000405132	BARGER	HERB	Assistant Exchange Coordinator	$103,850.57	$411.48
IMO	000386484	BEAMER	DEREK	Corporate Policy Officer	$100,887.03	$393.12
IMO	000190682	BONERT	BRIGITTE	Engineer/Officer - Systems	$112,711.74	$304.20
IMO	000528192	BRINDLEY	STUART	Manager Emergency Preparedness	$164,584.63	$831.60
IMO	000190739	BRYAN	KEITH	Manager - Regulatory Processes & Research	$112,462.62	$231.00
IMO	000071981	BUCCIARELLI	FRANK	Section Head - IT&I	$116,260.02	$412.56
IMO	000840420	BURNS	STEPHEN	Senior Engineer/Technical Officer - Market	$107,625.28	$449.28
IMO	000999063	CAMPBELL	BRUCE	Vice President - Corporate & Legal Affairs	$270,983.42	$1,393.20
IMO	000265090	CARSON	BILL	Manager - IT Operations	$136,189.66	$528.04
IMO	000225960	CHAN	KEN	Senior Engineer/Technical Officer - Market	$116,655.26	$457.44
IMO	000999130	CHANDLER	HARRY	Director Market Assessment & Compliance	$174,213.92	$939.60
IMO	000943180	CHARLAND	MARIO	Exchange Coordinator	$113,646.81	$449.28
IMO	000384741	CHIANG	ED	Section Head - IT&I	$106,998.45	$493.08
IMO	000328601	CHIU	WANG	Senior Engineer/Officer - Solutions	$165,441.95	$457.44
IMO	000608405	CHUNG	SIMON	Senior Engineer/Officer - Database	$141,067.46	$436.92
IMO	000012565	CHUNG	HAE	Team Leader - Computer Systems	$122,007.87	$500.40
IMO	000692503	COOPER	STEVE	Senior Engineer/Technical Officer - EP	$124,328.67	$518.64
IMO	000501515	CORNFIELD	BRIAN	Assistant Exchange Coordinator	$109,956.67	$411.48
IMO	000416101	COWBOURNE	DEREK	Chief Operating Officer	$285,557.61	$1,510.08
IMO	000687295	DANG	NORM	Section Head - IT&I	$100,359.07	$474.84
IMO	000014756	DICKSON	PAT	Manager Human Resources	$143,600.78	$542.52
IMO	000195986	DORAN	PAT	Supervisor Engineer/Technical Officer - Market Fore. & Integration	$129,237.88	$520.80
IMO	000999122	DOVE	KEVIN	Communications Manager	$109,538.14	$615.60
IMO	000335132	DREW	DENNIS	Senior Engineer/Technical Officer - Market Forecasts & Integration	$112,066.19	$423.84
IMO	000480963	FAHMY	GAMAL	Senior Engineer/Technical Officer - M&D	$110,338.80	$474.84
IMO	000207004	FAIRCHILD	JOHN	Exchange Coordinator	$132,372.91	$474.84
IMO	000181825	FALVO	MICHAEL	Section Head - System Limits	$107,594.10	$477.84
IMO	000207550	FINDLAY	J. AL	Customer Relations Manager	$160,774.03	$916.08
IMO	000213983	FINKBEINER	DARREN	Senior Market Development Advisor	$109,692.79	$434.04
IMO	000473991	FONG	CLEMENT	Section Head - IT&I	$144,712.64	$505.44
IMO	000514234	FREIRE	JOSEPH	Senior Engineer/Technical Officer - Settlements	$118,618.02	$457.44
IMO	000309890	FRYER	KATHRYN	Human Resources Consultant	$118,145.62	$322.98
IMO	000534884	GATT	PAUL	Section Head - IT&I	$112,704.10	$500.40
IMO	000969962	GEMMILL	JEFF	Exchange Coordinator	$112,748.54	$345.60
IMO	000191592	GENOVESE	VITO	Senior Engineer/Technical Officer - Wholesale Metering	$114,535.07	$358.56
IMO	000542640	GIBBONS	ROBERT	Manager - Long-Term Forecast & Assessment	$135,301.08	$797.28
IMO	000495250	GIKE	RUSSELL	Engineer/Officer - Shift Control	$121,352.58	$480.00
IMO	000183176	GILMORE	STEW	Assistant Exchange Coordinator	$102,869.79	$411.48
IMO	000855526	GOOCH	STEVE	Senior Engineer/Officer - Solutions	$122,957.86	$439.08
IMO	000415135	GOULDING	DAVID	President & CEO	$507,917.49	$2,246.52
IMO	000936166	HARPER	HAROLD	Section Head - IT&I	$118,943.63	$464.64
IMO	000693686	HAY	LAWRENCE	Shift Superintendent	$131,919.40	$546.36
IMO	000444934	HENDERSON	PETE	Section Head - Operational Effectiveness	$113,039.59	$505.44
IMO	000692531	HESS	TOM	Shift Superintendent	$153,745.68	$525.96
IMO	000495453	HINE	GREGORY	Senior Engineer/Technical Officer - Assessment	$104,102.79	$369.36
IMO	000394996	HOSICK	HOWARD	Senior Engineer/Technical Officer - Interconnections	$112,730.47	$498.24
IMO	000120183	INDEWEY	RICK	Exchange Coordinator	$124,703.71	$480.00
IMO	000999135	INGMAN	NICHOLAS	Project Engineer - Planning & Delivery	$125,881.61	$390.96
IMO	000369635	ISBER	MICHAEL	Market Relations Consultant	$107,250.01	$339.12
IMO	000999030	JOHNSON	LEN	Assistant Exchange Coordinator	$102,131.79	$396.12
IMO	000742952	JUTRAS	JAMES	Senior Engineer/Officer - Systems	$114,667.58	$428.88
IMO	000436114	KALINOVICH	MIKE	Human Resources Consultant	$121,044.79	$477.84
IMO	000150311	KANDOLA	HARDEEP	Senior Engineer/Technical Officer - M&D	$102,298.54	$447.72
IMO	000085995	KATHURIA	RAJ	Market Information Analyst	$112,182.29	$421.68
IMO	000505974	KELBERT	JIM	Senior Analyst - Rule Amemdments	$114,629.08	$457.44
IMO	000601153	KHAN	HAMID	Senior Engineer/Technical Officer - Assessment	$127,573.31	$395.70
IMO	000225911	KIM	JONG	Market Operations Development Program Officer	$165,528.21	$649.44
IMO	000214123	KITCHEN	BRUCE	Exchange Coordinator	$104,746.19	$426.72
IMO	000566811	KLAHSEN	PETER	Engineer/Officer - Shift Control	$119,097.89	$462.48
IMO	000226646	KLINE	HEATHER	Manager Market Accounting	$102,383.73	$403.92
IMO	000297262	KOT	JOHN	Senior Engineer/Officer - Systems	$156,966.18	$449.28
IMO	000497560	KOZLIK	KEN	Director Client Support	$176,549.48	$777.60
IMO	000191470	KULA	LEONARD	Exchange Engineer/Officer	$110,278.44	$349.92
IMO	000716660	KURAK	ED	Senior Engineer/Technical Officer - CSM	$102,138.86	$313.20
IMO	000599284	LAFOYIANNIS	PETER	Supervisor - Market Information Services	$103,848.81	$436.92
IMO	000038390	LAIDLAW	GEORGE	Director Corporate & Legal Affairs-Lgl&Crp Aff	$296,582.17	$28.38
IMO	000542696	LEE	DON	Director Business Development	$200,110.14	$987.36
IMO	000931203	LEE	FRANK	Senior Engineer/Officer - Database	$159,009.42	$439.08
IMO	000554974	LEONARD	TED	Corporate Controller	$134,029.27	$797.28
IMO	000225813	LI	BEN	Director Market Operations	$185,516.61	$1,034.88
IMO	000999175	LIMBRICK	WILLIAM	Vice President - IT&I	$110,131.00	$567.00
IMO	000497182	LINDENMAYR	ERIC	Engineer/Officer - Systems	$135,736.85	$423.84
IMO	000065205	LOUIE	CHAK	Senior Engineer/Technical Officer - Market	$138,493.33	$452.28
IMO	000582911	LUBEK	JACK	Senior Analyst - Market Assessment	$102,326.72	$480.00
IMO	000177821	LYN	TYRONE	Section Head - IT&I	$157,785.28	$469.80
IMO	000999068	MACKAY	BRUCE	Manager - Contracts & Agreements	$134,070.13	$237.60
IMO	000045010	MACKENZIE	JOHN	Supervisor - Market Rules	$112,170.03	$400.68

Public Sector Salary Disclosure Listing for the IMO

RECORD OF IMO EMPLOYEES - YEAR 2001 SALARIES & TAXABLE BENEFITS

Employer	Employee Number	Last Name	First Name	JobTitle	Gross Salary	Taxable Benefits
IMO	000352093	MAGUIRE	DANNY	Exchange Coordinator	$124 431 12	$449 28
IMO	000074116	MALIK	YASIN	Manager Enterprise Infrastructure	$139 067 63	$821 04
IMO	000608132	MALO	ADRIAN	Senior Exchange Engineer/Officer	$122 153 10	$531 00
IMO	000391265	MANZO	EDGAR	Engineer/Technical Officer	$101.555 51	$339 96
IMO	000078575	MARIA	GAMAL	Manager - Technical Integration	$134.137 26	$660 96
IMO	000100191	MARTIN	DAN	Exchange Coordinator	$105.987 71	$396 12
IMO	000540211	MARX	MICHAEL	Exchange Coordinator	$112 710 21	$439 08
IMO	000095480	MCCLOY	ROBERT	Engineer/Technical Officer - Settlements	$102 153 29	$474 84
IMO	000269500	MCLELLAN	GARY	Shift Superintendent	$129.432 15	$505 44
IMO	000483616	MCMURTRIE	ALAN	Engineer/Officer - Solutions	$154.894 83	$423 84
IMO	000618282	MCVEETY	MICHAEL	Exchange Coordinator	$117.089 11	$467 64
IMO	000096383	MEYER	GARRY	Exchange Coordinator	$126.189 88	$485 04
IMO	000415156	MILLER	RICHARD	Chief Meteorologist	$103.529 02	$493 08
IMO	000384104	MILLER	ALLAN	Senior Engineer/Technical Officer - Customer Support	$118.076 51	$518 64
IMO	000720356	MISNER	BRAD	Section Head - Information Management	$100 831 28	$397 44
IMO	000294343	MONIZE	FRANCIS	Corporate Policy Officer	$100.572 03	$464 64
IMO	000380065	MURPHY	PAUL	Vice President Market Effectiveness & Evolution	$285 487 17	$1 008 48
IMO	000190130	MURRAY	YVONNE	Manager Operational Audit	$124 093 69	$253 44
IMO	000230384	NEUMAN	ROGER	Senior Engineer/Technical Officer - Ancillary Services	$112 133 31	$421 68
IMO	000586915	NISHINO	MARTIN	Engineer/Officer - Systems	$105.538 41	$356 40
IMO	000937825	PARCEY	TODD	Exchange Coordinator	$109 424 33	$431 53
IMO	000837116	PATERSON	WILLIAM	Engineer/Officer - Shift Control	$106 761 08	$428 88
IMO	000612584	PETERSEN	PAUL	Team Leader - EIE FStr	$108 054 43	$495 24
IMO	000531195	PETTITT	WILLIAM	System Architect	$129 934 65	$469 80
IMO	000454762	PHILLIPS	DREW	Supervisor Training & Education	$120 994 79	$525 01
IMO	000217735	PITCHELL	KIM	Senior Engineer/Technical Officer	$106 891 59	$493 08
IMO	000212954	RADAN	MIKE	Section Head -Systems Limits	$127 678 21	$488 04
IMO	000094934	REYNOLDS	TERRY	Assistant Exchange Coordinator	$100 261 64	$406 32
IMO	000776671	ROBITAILLE	DAVID	Exchange Coordinator	$116 534 07	$411 48
IMO	000158095	ROCHESTER	DANIEL	Supervisor Engineer/Technical Officer	$104 488 22	$474 84
IMO	000325682	SARDANA	PANKAJ	Treasury Manager	$140.314 40	$707 76
IMO	000299222	SCHAEDLICH	KLAUS	Meteorological Data	$102 934 40	$480 00
IMO	000609490	SCHLAG	STEVE	Engineer/Officer - Shift Control	$110 645 90	$421 68
IMO	000612556	SCHMIDT	DAN	Manager Market Facilitation	$159 169 77	$900 24
IMO	000178444	SCHNEIDER	HORST	Section Head - Infrastructure & Auxiliary Services	$112 364 95	$382 32
IMO	000517181	SERGEJEWICH	PETER	Market Design Manager	$179 949 02	$814 32
IMO	000072912	SHALABY	AMIR	Manager Regulatory & Government Affairs	$168 896 83	$971 52
IMO	000234514	SIMS	DON	Engineer/Officer - Telecommunications & CN	$110 155 05	$372 90
IMO	000239106	SINCLAIR	ROB	Senior Engineer Officer - Solutions	$126 406 56	$449 28
IMO	000266903	STANBURY	AL	Supervisor Engineer - Wholesale Settlement Metering	$104 358 85	$202 90
IMO	000722841	STEVENS	CHRIS	Director Settlements	$189 541 93	$997 92
IMO	000999129	STEWART	ROY	Assistant General Counsel	$186 152 82	$1 036 80
IMO	000037933	STUBBERT	DAVE	Shift Superintendent	$116 524 15	$525 96
IMO	000893942	STURGEON	DAN	Assistant Exchange Coordinator	$111 646 70	$396 12
IMO	000067004	SWANT	FRED	Engineer/Officer - Shift Control	$102 953 58	$380 76
IMO	000999008	TAKATA	RICHARD	Engineer Officer - Shift Control	$108 951 53	$444 60
IMO	000181916	TANG	CHI	Section Head - System Limits	$106 071 22	$477 84
IMO	000179823	TENCH	DON	Manager - Consistent Information Set	$145 823 37	$852 72
IMO	000038392	THOMAS	DOUGLAS	Chief Financial Officer	$190 566 02	$628 80
IMO	000037302	THOMAS	NORMAN	Director Human Resources	$190 784 63	$1 034 88
IMO	000822584	THWAITES	SCOTT	Senior Assistant Exchange Co-ordinator	$101 523 06	$396 12
IMO	000179515	TSAI	DAVID	Senior Analyst - Surveillance	$104 625 74	$452 28
IMO	000380156	TSE	NORMAN	Power Billing Systems Analyst	$143 514 72	$421 68
IMO	000072373	VALCIC	MILICA	Engineer Officer - Database	$110 780 41	$329 76
IMO	000213990	VERT	JAMES	Exchange Coordinator	$125 094 83	$474 84
IMO	000065226	WALDEN	DALE	Exchange Coordinator	$107 832 59	$411 48
IMO	000438186	WARREN	KIM	Manager Operations	$141 827 91	$539 04
IMO	000125197	WHITE	STEPHEN	Senior Human Resources Consultant	$100 807 65	$436 92
IMO	000608104	WILLIAMS	RALPH	Shift Superintendent	$134 391 84	$536 16
IMO	000262745	WILSON	MARK	Shift Superintendent	$127 400 30	$510 60
IMO	000496034	WOLOSHANSKY	JOHN	Senior Engineer Technical Officer - Market	$105 837 13	$369 36
IMO	000422821	WONG	VICTOR	Manager Settlement Support	$156 288 75	$293 04
IMO	000999139	WOO	PETER	Operations Analyst	$101 983 11	$452 28
IMO	000722631	WOO	BILL	Senior Engineer/Technical Officer - Market	$111 437 07	$452 28
IMO	000474075	WORTH	BRIAN	Senior Engineer Technical Officer - Settlements	$102 984 80	$428 88
IMO	000209531	WRIGHT HILBIG	RHONDA	Senior Engineer/Technical Officer - M&D	$102 010 75	$413 64
IMO	000374332	WYNN	JAN	Engineer/Officer - Systems	$113 220 94	$421 68
IMO	000416822	WYNN	CHAS	Section Head - IT&I	$109 775 68	$436 92
IMO	000506366	YI	JAMES	Senior Engineer/Officer - Systems	$134 780 33	$444 24
IMO	000285551	ZIEGLER	BARRY	Shift Superintendent	$137 235 61	$561 60
IMO	000463722	ZULAWSKI	ANDREW	Market Relations Consultant	$124 476 98	$417 66

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets were safeguarded.

The Board ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets monthly to oversee the financial activities of LAO. On an annual basis, the Board reviews the financial statements and the external auditors' report thereon, and recommend them to the Ministry of the Attorney General.

The financial statements have be been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Angela Longo
President & CEO

Michelle A. Séguin
Vice President,
Corporate Services

July 18, 2002

Office of the
Provincial Auditor
of Ontario

AUDI ALTERAM PARTEM

Bureau du
vérificateur provincial
de l'Ontario

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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2002 and the statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of Legal Aid Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 30, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

Legal Aid Ontario
(A Corporation Without Share Capital)
Balance Sheet

March 31	**2002**	2001 Restated Note 12
	(000's)	
Assets		
Current		
Cash (Note 2)	**$ 1,468**	$ -
Cash and cash equivalents - contingency reserve (Note 8)	**907**	-
Accounts receivable (less allowance for doubtful accounts)	**29,639**	12,889
Prepaid expenses	**513**	621
Short term investments (Note 3)	**4,225**	1,506
Short term investments - contingency reserve (Notes 3 and 8)	**2,711**	-
	39,463	15,016
Long term investments (Note 3)	**42,464**	63,735
Long term investments contingency reserve (Notes 3 and 8)	**29,614**	31,889
Capital assets (Note 4)	**7,391**	9,825
	$ 118,932	$ 120,465
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 2)	**$ -**	$ 587
Accounts payable and accrued liabilities (Note 5)	**61,141**	52,034
	61,141	52,621
Deferred contributions (Note 6)	**5,930**	10,783
	67,071	63,404
Net Assets		
Accumulated surplus (Note 1(c))	**18,511**	22,210
Invested in capital assets (Note 7)	**1,461**	2,962
Contingency reserve (Notes 3 and 8)	**31,889**	31,889
	51,861	57,061
	$ 118,932	$ 120,465

On behalf of the Board:

_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Operations and Accumulated Surplus

For the year ended March 31	2002	2001 Restated Note 12
	(000's)	
Revenue		
Province of Ontario (Note 1(a))	$ 246,695	$ 190,843
The Law Foundation of Ontario	19,944	30,964
Client contributions	14,234	8,399
Judgements, costs and settlements	768	1,392
Investment and other income	6,676	7,163
	288,317	238,761
Expenses		
Core Business		
Certificate Program		
Criminal	83,033	71,223
Family	44,019	35,471
Immigration and refugee	16,862	12,159
Other civil	5,552	4,380
Settlement conferences	177	169
	149,643	123,402
Area office services	27,028	20,290
	176,671	143,692
Duty Counsel Program		
Duty counsel fees and disbursements	25,536	22,261
Clinic Program		
Clinic law services (Note 9)	52,749	44,017
Alternative Programs		
Nishnawbe-Aski allocation	1,577	1,405
Family law / pilot projects	2,794	2,646
Refugee law office	681	698
Student legal aid societies	2,610	2,646
Other	908	195
	8,570	7,590

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Operations and Accumulated Surplus
(Continued)

For the year ended March 31	2002	2001
		Restated Note 12
	(000's)	
Expenses (continued)		
Service Provider Support		
Research facility	$ 2,010	$ 2,296
Administrative		
Provincial office	19,577	20,210
Business re-engineering and other projects	4,276	2,921
Amortization expense	4,128	4,942
	27,981	28,073
	293,517	247,929
Deficiency of revenue over expenses for the year	(5,200)	(9,168)
Accumulated surplus, beginning of year	22,210	41,291
Invested in capital assets	1,501	(2,962)
Transferred to contingency reserve (Note 8)	-	(6,951)
Accumulated surplus, end of year	$ 18,511	$ 22,210

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Cash Flows

For the year ended March 31	2002	2001
		Restated Note 12
	(000's)	
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	$ (5,200)	$ (9,168)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities:		
Amortization	4,128	5,925
Amortization of deferred contributions	(3,429)	(1,521)
Realization of deferred contributions	(5,166)	(2,621)
Gain on sale of investments	(422)	(437)
Loss on sale of capital assets	115	67
Transfer of capital assets to community clinics	1,239	-
Changes in non-cash working capital balances		
Accounts receivable	(16,750)	994
Prepaid expenses	108	(590)
Accounts payable and accrued liabilities	9,107	(830)
Accrued interest on long term investments	407	(1,361)
Deferred contributions	3,742	14,925
	(12,121)	5,383
Investing activities		
Purchase of capital assets	(3,048)	(8,390)
Purchase of investments	(213,528)	(143,781)
Redemption of investments	231,659	48,449
	15,083	(103,722)
Net increase (decrease) in cash and cash equivalents (bank indebtedness) during the year	2,962	(98,339)
Cash and cash equivalents (bank indebtedness), beginning of year	(587)	97,752
Cash and cash equivalents (bank indebtedness), end of year	$ 2,375	$ (587)
Represented by		
Cash	$ 1,468	$ 1,970
Bank indebtedness	-	(2,557)
	1,468	(587)
Cash and cash equivalents - contingency reserve	907	-
	$ 2,375	$ (587)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Summary of Significant Accounting Policies

March 31, 2002

Nature of Operations

On December 18, 1998, the Ontario Legislative Assembly enacted the Legal Aid Services Act, 1998 whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act.

The Legal Aid Services Act, 1998 establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

Basis of Accounting

The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus represents the excess of revenue over expenses related to the Corporation's program delivery and administrative activities.

The Contingency Reserve was established in accordance with Section 66(4) of the Legal Aid Services Act, 1998 to provide funding for operations upon approval of the Attorney General. Under the Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998, the Corporation is required to maintain a minimum $20 million contingency reserve.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Legal Aid Ontario
(A Corporation Without Share Capital)
Summary of Significant Accounting Policies

March 31, 2002

Expense Recognition

Expenses are recognized on an accrual basis. Legal accounts include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware and software	- 3 years
Custom-designed software	- 5 years
Leasehold improvements	- over the term of lease

Investments

Short term investments are stated at the lower of cost and market value. Long term investments are stated at cost and are written down when there is other than a temporary decline in value.

Deferred Contributions

Deferred special initiatives contributions represent unspent resources relating to the Province of Ontario funded projects. Unspent amounts are held for use in subsequent periods or settlement by the Province.

Deferred capital contributions related to capital assets represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred contribution is provided on the same basis as the related asset.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, indebtedness and balances with banks plus highly liquid investments with original maturities of three months or less.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

1. Funding by the Province of Ontario

Section 71 of the Legal Aid Services Act, 1998 requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The Memorandum of Understanding was signed on December 22, 2000 and is effective until April 1, 2004.

(a) Contributions received from the Province of Ontario were allocated as follows:

	2002	2001 Restated Note 12
	(000's)	
Contributions	**$ 238,100**	$ 223,850
Realization of deferred contributions (Note 6)	**5,166**	2,621
Amortization of deferred contributions (Note 6)	**3,429**	1,521
Deferred contributions related to modernization project (Note 12)	**-**	(10,783)
Repayment of surplus from year ended March 31, 2000 (Note 12)	**-**	(26,366)
	$ 246,695	$ 190,843

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2002 is an amount of $44.3 million (2001 - $35.7 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law and the Young Offenders Act through a cost-sharing arrangement.

(c) Subsection 66(3) of the Legal Aid Services Act, 1998 allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Cash (Bank Indebtedness)

The Corporation has an available line of credit in the amount of $5 million which remained unused as of March 31, 2002. The credit facility bears interest at prime rate and is unsecured.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

3. Investments

	2002		2001	
	Cost	**Market**	Cost	Market
		(000's)		
Canada bonds Interest rates from 4.75% to 6.0%, maturing from June 2004 to June 2010	**$ 20,281**	**$ 20,326**	$ 35,947	$ 36,401
Provincial bonds Interest rates from 4.875% to 8%, maturing from March 2003 to December 2008	**38,801**	**38,949**	41,197	41,654
Corporate bonds Interest rates from 5.35% to 7.1%, maturing from February 2003 to June 2006	**18,978**	**18,990**	16,711	16,893
Mortgage backed security Interest rate 5.0%, maturing February 2003	**-**	**-**	1,914	1,913
Accrued bond interest	**954**	**954**	1,361	1,361
	79,014	**79,219**	97,130	98,222
Less: Contingency reserve				
- short term (Note 8)	**(2,711)**	**(2,711)**	-	-
- long term (Note 8)	**(29,614)**	**(29,681)**	(31,889)	(32,248)
	(32,325)	**(32,392)**	(31,889)	(32,248)
	$ 46,689	**$ 46,827**	$ 65,241	$ 65,974
Represented by				
Short term investments	**$ 4,225**	**$ 4,225**	$ 1,506	$ 1,517
Long term investments	**42,464**	**42,602**	63,735	64,457
	$ 46,689	**$ 46,827**	$ 65,241	$ 65,974

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998. The investments held by the Corporation as at March 31, 2002 are in compliance with the statutory requirements. The Corporation earned total investment income of $5.7 million in 2002 (2001 - $6.9 million).

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

4. Capital Assets

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
		(000's)		
Furniture and office equipment	$ 2,394	$ 1,510	$ 1,815	$ 981
Computer hardware and software	14,122	9,752	14,284	7,067
Custom-designed software	817	586	817	374
Leasehold improvements	3,540	1,634	2,328	997
	$ 20,873	$ 13,482	19,244	9,419
Net book value		$ 7,391		$ 9,825

Included in capital assets is approximately $0.362 million (2001 - $3.54 million) of computer hardware and software which was not in use as at the year end, and therefore, no amortization expense has been taken. All of the assets not in use (2001 - $1.6 million) represent capital assets acquired on behalf of the community clinics which will be provided to the clinics as part of their funding requirement in fiscal 2003.

5. Accounts Payable and Accrued Liabilities

	2002	2001
	(000's)	
Legal accounts - billings received after March 31, 2002	$ 10,777	$ 12,854
- work performed but not yet billed	32,826	26,800
Rent inducements	277	584
Trade and other payables	16,740	11,046
Vacation pay	521	750
	$ 61,141	$ 52,034

At year end, management estimates the liability for work conducted by private solicitors that has not yet been billed by these solicitors to the Corporation to be approximately $32.8 million (2001 - $26.8 million). This estimate uses a methodology that incorporates average costs and time frames for similar cases over a period of 7 years.

Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability. In the opinion of management the actual liability will fall within a range of plus 20% to minus 20% ($26 million to $39 million). Any adjustment of the estimated liability would result in a corresponding increase or decrease in expenses for "core business," the "deficiency of revenue over expenses for the year" and the "accumulated surplus."

The change in trade and other payables between fiscals 2001 and 2002 is principally related to the settlement of pay equity complaints dating back to fiscal 1996.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

6. Deferred Contributions

Changes in deferred special initiatives and capital contributions relating to Province of Ontario funded projects are as follows:

	2002	2001
	(000's)	
Deferred special initiatives contributions		
Balance, beginning of year	$ 3,920	$ -
Contributions received during the year	3,742	14,925
Transferred upon acquisition of capital assets	(2,496)	(8,384)
Realization of deferred contributions (Note 1(a))	(5,166)	(2,621)
	-	3,920
Deferred capital contributions		
Balance, beginning of year	6,863	-
Contributions for capital assets	2,496	8,384
Amortization of deferred contributions (Note 1(a))	(3,429)	(1,521)
	5,930	6,863
	$ 5,930	$ 10,783

7. Changes in Net Assets Invested in Capital Assets

	2002	2001
	(000's)	
Balance, beginning of year	$ 2,962	$ 7,427
Amortization	(4,128)	(5,925)
Amortization of deferred contributions	3,429	1,521
Contributions for capital assets	(2,496)	(8,384)
Purchase of capital assets	3,048	8,390
Disposal of capital assets	(1,354)	(67)
	$ 1,461	$ 2,962
Represented by		
Capital assets	$ 7,391	$ 9,825
Deferred capital contributions	(5,930)	(6,863)
	$ 1,461	$ 2,962

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

8. Contingency Reserve

Section 6 of Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998, requires the Corporation to maintain at least a $20 million contingency reserve. The Regulation also allows the Corporation to increase the contingency reserve by investment income earned thereon. Accumulated investment income of $11.889 million (2001 - $11.889 million) is available to fund operations, without the need for prior approval of the Attorney General. The contingency reserve is made up as follows:

	2002	2001
	(000's)	
Balance, beginning of year	$ 31,889	$ 24,938
Transfer to contingency reserve from accumulated surplus	-	6,951
Balance, end of year	$ 31,889	$ 31,889

Represented by	2002	2001
	(000's)	
Cash and cash equivalents	$ 907	$ -
Due to operating fund	(1,343)	-
Investments - short term (Note 3)	2,711	-
Investments - long term (Note 3)	29,614	31,889
	$ 31,889	$ 31,889

Cash and cash equivalents - contingency reserve includes treasury certificates of $0.89 million as at March 31, 2002, which will mature in fiscal 2003 and bear interest between 1.89% and 2.06% per annum.

9. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital each governed and managed by a board of directors. Community Clinics are independent from, but accountable to the Corporation under Sections 33 to 39 of the Legal Aid Services Act, 1998. Each community clinic is independently audited and are required to provide audited financial statements to the Corporation for the funding period.

The total consists of:

	2002	2001
	(000's)	
Payments to and on behalf of clinics	$ 49,774	$ 41,038
Administrative costs	2,975	2,979
	$ 52,749	$ 44,017

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

10. Commitments and Contingencies

(a) The Corporation issues certificates to individuals seeking Legal Aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2002 there is an amount of approximately $53 million that could still be incurred on certificates over and above the billings received to date and the Corporation's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The minimum annual commitments under these leases for the next five years are approximately as follows:

	Amount (000's)
2003	$ 4,342
2004	2,739
2005	2,366
2006	2,003
2007	1,405
Thereafter	4,230
	$ 17,085

(c) For the three consecutive fiscal years 2000 to 2002, Subsection 66(5) of the Legal Aid Services Act, 1998 requires the Corporation to allocate to the Independent Community Clinics (see Note 9) an amount not less than $34.9 million annually, the amount allocated to the clinics by the Attorney General in the 1999 fiscal year.

(d) The Corporation is the defendant in a number of lawsuits arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible, of up to $0.05 million, depending on when the event of the claim occurred and the nature of the claim.

(e) During the year, the Corporation settled pay equity complaints related to two employee groups dating back to 1996 which have been recognized in these financial statements. The Corporation is contingently liable for payments related to pay equity issues for a third employee group. As the amount of any settlement cannot be reasonably estimated at this time, no provision has been made in these financial statements.

11. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has two components, a defined contribution component and a defined benefit component.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

11. Pensions (continued)

Defined Contribution Component

The defined contribution component of the plan covers 440 employees, the majority of employees. The Corporation makes pension contributions to the defined contribution component of the plan, which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $1.051 million.

Defined Benefit Component

The defined benefit component of the plan covers 21 participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The next actuarial valuation will be performed in fiscal 2003. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation made no pension contribution to this component of the plan in the current year.

For the year ended March 31, 2002, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	7.0%
Salary increases	5.0%
Expected rate of return on assets	6.0%

The actuarial valuation for accounting purposes for the year ending March 31, 2002 indicated an actuarial surplus of $0.586 million (2001 - $0.683 million), resulting from accrued benefit obligation of approximately $1.609 million (2001 - $1.424) and fair value of plan assets available to provide for these benefits of approximately $2.195 million (2001 - $2.107 million). The pension income for the year was $0.034 million and the pension accrued benefit asset as at March 31, 2002 was $0.034 million (2001 - $nil). During the year, employees contributed $0.042 million and the Corporation paid benefits of $0.003 million.

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12. Change in Accounting Policy

For the year ended March 31, 2000, the Corporation experienced a $41.291 million excess of revenue over expenses. The Corporation sought approval from the Province of Ontario to allocate these surplus funds to the modernization of the Corporation's information technology systems, physical infrastructure and other initiatives. In fiscal 2001, the Province approved the use of these funds for these purposes. The agreement reached resulted in $14.925 million being retained by the Corporation in fiscal 2000/2001 and $26.366 million being repaid to the Province through the reduction of contributions received from the Province of Ontario in the fiscal year ended March 31, 2001. The $26.366 million would be flowed back to the Corporation based on their actual expenditures for these initiatives in the following years: 2001/02, 2002/03 and 2003/04.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2002

12. Change in Accounting Policy (continued)

For fiscal 2002, the Corporation's Board of Directors and the Ministry of the Attorney General approved a change in accounting policy to restate as a deferred contribution the unspent and unexpensed portions of the $14.925 million retained in fiscal 2001 and previously included in the March 31, 2001 accumulated surplus. As indicated in Note 6, the Corporation is restating as a deferred contribution the unspent and unexpensed portions of $3.920 million and $6.863 million, respectively. This adjustment had the following effect on the financial statements:

	2001		
	Previously Stated	Increase (Decrease) (000's)	Restated
Deferred contributions	$ -	$ 10,783	$ 10,783
Invested in capital assets	-	2,962	2,962
Accumulated surplus	35,955	(13,745)	22,210
Excess of revenue over expenses	1,615	(10,783)	(9,168)

13. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
Legal Aid Ontario	Biggar	George	VP,Policy, Planning & External Relations	$135,203.19	$290.44
Legal Aid Ontario	Buchanan	Robert	VP, Client Legal Services	$107,996.26	$235.44
Legal Aid Ontario	Champagne	Nathalie	Area Director	$101,185.45	$220.12
Legal Aid Ontario	Champlin	Elizabeth	Area Director	$106,036.17	$229.66
Legal Aid Ontario	Davies	Simon	Area Director	$114,416.93	$247.10
Legal Aid Ontario	Hall	Stephen	Chief Information Officer	$119,073.02	$265.74
Legal Aid Ontario	Hastings	Maureen	Area Director	$108,019.79	$234.26
Legal Aid Ontario	Holden	Robert	Tarriff Review Project	$133,291.67	$310.32
Legal Aid Ontario	Lawson	Ruth	General Counsel	$134,803.19	$290.44
Legal Aid Ontario	Longo	Angela	President and CEO	$206,399.88	$10,439.63
Legal Aid Ontario	McCaffrey	Susan	VP, Clinic and Special Services	$110,296.25	$234.84
Legal Aid Ontario	Moretti	Vicki	Area Director	$100,214.81	$217.94
Legal Aid Ontario	Morley	Jane	Director, Research	$105,416.64	$229.66
Legal Aid Ontario	Morrison	Ian	Executive Director Clinic Resource Office	$113,458.43	$248.26
Legal Aid Ontario	Robertson	Heather	Legal Accounts Officer	$112,684.55	$245.38
Legal Aid Ontario	Seguin	Michelle	VP, Corporate Services	$136,754.80	$290.44
Legal Aid Ontario	Silver	Margaret J.	Area Director	$105,989.89	$229.66
Legal Aid Ontario	Stevens	Mary Anne	Area Director	$101,628.49	$220.30
Legal Aid Ontario	Thomas	Aneurin	Policy Director	$102,346.37	$222.56
Legal Aid Ontario	Tilston	Janet	Director, Family Law Office	$101,128.49	$220.30
Legal Aid Ontario	Wilkins	Keith	Provincial Executive Lead, TSN	$114,511.97	$248.24

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

KPMG

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Directors of the Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism and Recreation

We have audited the balance sheet of the Metropolitan Toronto Convention Centre Corporation as at March 31, 2002 and the statements of operations, deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

May 10, 2002

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 3,773,938	$ 7,053,547
Customer deposits	4,224,124	3,689,686
Accounts receivable	2,552,913	2,388,266
Inventories	301,502	494,936
Prepaid expenses	289,454	364,231
	11,141,931	13,990,666
Other assets	165,683	293,738
Capital assets (note 3)	146,417,054	149,134,308
Employee future benefits (note 6)	253,400	164,602
	$ 157,978,068	$ 163,583,314
Liabilities and Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,380,485	$ 4,842,278
Deferred revenue	4,224,124	3,689,687
	8,604,609	8,531,965
Temporary expansion financing (note 4)	158,086,714	161,726,943
Deficiency	(8,713,255)	(6,675,594)
Commitments and contingencies (notes 5 and 7)		
	$ 157,978,068	$ 163,583,314

See accompanying notes to financial statements.

On behalf of the Board:

____________________ **Director**

____________________ **Director**

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Food and beverage	$ 18,186,490	$ 20,108,849
Facility rentals	11,480,965	11,691,562
Parking	5,341,624	4,539,269
Other	6,909,002	6,820,839
	$ 41,918,081	$ 43,160,519
Gross operating profit	$ 24,619,797	$ 23,991,861
Operating expenses	15,946,380	15,251,594
Net operating income	8,673,417	8,740,267
Interest expense	5,966,614	9,143,111
Amortization, net of reallocation to operating expenses for parking garage of $91,968 (2001 - $85,368)	4,744,464	4,616,062
Loss for the year	$ (2,037,661)	$ (5,018,906)

Statement of Deficiency

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Deficiency, beginning of year	$ (6,675,594)	$ (1,656,688)
Loss for the year	(2,037,661)	(5,018,906)
Deficiency, end of year	$ (8,713,255)	$ (6,675,594)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operations:		
Loss for the year	$ (2,037,661)	$ (5,018,906)
Items not involving cash:		
Amortization	4,836,432	4,701,430
Accrued interest	5,966,614	9,143,111
	8,765,385	8,325,635
Change in non-cash operating working capital:		
Accounts receivable	(164,647)	2,893,801
Inventories	193,434	(4,087)
Prepaid expenses	74,777	(30,055)
Employee future benefits	(88,798)	170,723
Accounts payable and accrued liabilities	(461,793)	356,197
Deferred revenue, net of customer deposits	(1)	(2,427,736)
	8,318,357	9,784,478
Financing:		
Repayment of temporary expansion financing	(9,606,843)	(4,000,000)
Investments:		
Additions to capital assets	(1,991,123)	(1,818,831)
Increase (decrease) in cash and short-term investments	(3,279,609)	3,965,647
Cash and short-term investments, beginning of year	7,053,547	3,087,900
Cash and short-term investments, end of year	$ 3,773,938	$ 7,053,547

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2002

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is a government business enterprise of the Ministry of Tourism and Recreation of the Province of Ontario and incorporated as a corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is also a Crown agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from facility rentals, food and beverage sales, and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Other assets:

Deferred development costs, included in other assets, represent expenses, net of pre-operating revenue, earned in the pre-operating period. The amount is being amortized on a straight-line basis over a period of five years.

(d) Capital assets:

Capital assets which are financed by government grants are shown net of applicable grants.

Capital assets are recorded at the lower of cost and net recoverable amount which management reviews on an annual basis.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

1. Significant accounting policies (continued):

Interest expenses, net of any income earned, incurred in connection with the expansion of the convention centre have been capitalized and are included in building. The expansion of the building is now complete and the capitalized expenses are being amortized on a straight-line basis over their estimated economic life of 50 years.

All other capital assets are recorded at cost and amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

(e) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(f) Financial instruments:

The Corporation does not use derivative financial instruments. The carrying values of short-term investments, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature. The carrying value of temporary expansion financing cannot be practically determined due to the related party relationship.

(g) Employee future benefits:

Effective April 1, 2000, the Corporation retroactively adopted the new CICA accounting standard, Section 3461, "Employee Future Benefits." The new standard changes the accounting for non-pension post-retirement benefits to an accrual basis from the cash accounting basis previously used by most companies, and, with respect to pensions, requires the use of a current settlement discount rate to measure the accrued pension benefit obligation. Prior to adoption of this new standard, pension expense was determined using a long-term discount rate to measure accrued pension benefits.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

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1. **Significant accounting policies (continued):**

(h) Use of estimates:

The preparation of the Corporation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting year. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(i) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

2. **Cash and short-term investments:**

	2002	2001
Cash	$ 1,621,655	$ 4,961,632
Short-term investments	2,152,283	2,091,915
	$ 3,773,938	$ 7,053,547

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

3. Capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 226,335,944	$ 18,013,507	$ 208,322,437	$ 212,485,531
Furniture, fixtures and computer equipment	13,140,065	9,544,998	3,595,067	3,147,493
Leasehold improvements	25,373,496	22,672,712	2,700,784	4,351,902
	264,849,505	50,231,217	214,618,288	219,984,926
Less government grants	85,914,604	17,713,370	68,201,234	70,850,618
	$ 178,934,901	$ 32,517,847	$ 146,417,054	$ 149,134,308

4. Temporary expansion financing:

	2002	2001
Ontario Financing Authority	$ 158,086,714	$ 161,726,943

The expansion project is being financed by the Ontario Financing Authority, a related party, through a series of short-term discount promissory notes. The promissory notes outstanding as at March 31, 2002 have effective annual interest rates between 2.20% and 2.36% and maturity dates between May 14, 2002 and June 10, 2002, which have not been paid and have been refinanced at similar termed promissory notes. The expansion was completed in June 1997. The Ontario Financing Authority and the Corporation are in the process of reviewing the options of replacing some or all of this temporary financing facility, at which time, principal repayment terms, if any, will be finalized. Interest will continue to be accrued until repayment terms have been finalized. Repayments totalling $9,606,843 were made during the year.

In the event that this restructuring is not successful, the Corporation may have to seek alternative sources of financing.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

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5. Commitments:

The Corporation has entered into operating leases of varying terms. Future annual lease payments are as follows:

2003	$ 3,243,361
2004	2,990,909
2005	3,028,899
2006	2,958,768
2007	3,004,446
Thereafter	145,236,965
	$ 160,463,348

6. Employee future benefits:

The Corporation maintains a contributory, defined benefit pension plan. Contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The plan provides pension benefits based on the length of service and final average earnings. In addition, certain retired employees also receive health benefits paid for by the Corporation.

The cost of pension and other future benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the average remaining service lives of the employees.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

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6. Employee future benefits (continued):

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2002		2001	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	$ 6,133,732	$ –	$ 6,036,774	$ –
Actual return on plan assets	(245,732)	–	(103,545)	–
Employer contributions	495,400	500	221,314	–
Employee contributions	246,400	–	229,463	–
Benefits paid	(182,700)	(500)	(250,274)	–
Market value, end of year	$ 6,447,100	$ –	$ 6,133,732	$ –
Plan obligation:				
Accrued benefit obligation, beginning of year	$ 5,702,819	$ 681,200	$ 5,147,949	$ 553,500
Current service cost	698,200	52,300	652,200	48,800
Interest cost	427,300	53,200	426,600	45,200
Benefits paid	(182,700)	(500)	(250,274)	(500)
Actuarial losses (gains)	(320,219)	39,300	(273,656)	34,200
Accrued benefit obligation, end of year	$ 6,325,400	$ 825,500	$ 5,702,819	$ 681,200
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	$ 121,700	$ (825,500)	$ 430,913	$ (681,200)
Unamortized net actuarial loss (gain)	885,400	71,800	380,689	34,200
Accrued benefit asset (liability)	$ 1,007,100	$ (753,700)	$ 811,602	$ (647,000)
Benefit plan expense:				
Current service cost	$ 698,200	$ 52,300	$ 652,200	$ 48,800
Interest cost	427,300	53,200	426,600	45,200
Expected return on plan assets	(577,200)	–	(550,800)	–
Net amortization	(2,000)	1,700	–	–
Employee contributions	(246,400)	–	(229,463)	–
Net benefit plan expense	$ 299,900	$ 107,200	$ 298,537	$ 94,000
Actuarial assumptions:				
Discount rate	7.0%	7.0%	7.25%	7.25%
Expected long-term rate of return on plan assets	8.5%	–	9.0 %	–
Rate of compensation increase	4.0%	4.0%	4.0 %	4.0 %
Medical inflation	–	6.0%	–	6.0 %

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2002

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7. Contingencies:

There is one claim in respect of the expansion project which, if successful, could result in the net recovery of a portion of the costs related to the project. The outcome of this lawsuit cannot be determined at this time and no estimate of the net amounts recoverable by the Corporation have been accrued.

Metro Toronto Convention Centre

Surname	Given Name	Position	Salary Paid	Taxable Benefits
FERNANDES	ANGELO	Executive Chef	$150,000.00	$6,491.12
HOUGHTON	JOHN	VP, Sales & Marketing	$164,500.00	$6,720.54
KWOK	ANNIE	Director of Catering	$147,558.00	$544.44
LEE	ESTHER	VP, HR & Administration	$115,062.00	$400.48
LILLEYMAN	TIMOTHY	Food & Beverage Director	$145,000.00	$5,176.75
SMITH	BARRY	President & CEO	$297,615.00	$11,759.84

Office of the
Provincial Auditor
of Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 2002 and the statements of receipts and expenses and net investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 30, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Balance Sheet
As at March 31, 2002

	2002 ($000s)	2001 ($000s)
Assets		
Cash and cash equivalents (Note 3)	**239,187**	212,433
Accrued interest	**4,823**	5,964
Loans receivable (Note 4)	**30,705**	28,723
Receivable from Patten Post Diversification Fund	**-**	20
	274,715	247,140
Patten Post Diversification Fund (Note 5)	**15,263**	14,964
	289,978	262,104
Liabilities		
Patten Post Diversification Fund (Note 5)	**15,263**	14,964
Commitments (Note 8)		
Investment by the Province of Ontario		
Net investment by the Province of Ontario	**274,715**	247,140
	289,978	262,104

See accompanying notes to financial statements.

On behalf of the Board:

Jim Wilson
Chair

Alan Spack
Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Receipts and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Receipts		
Province of Ontario grant		
Operating	60,000	60,000
Administration (Note 7)	923	690
Interest income	11,232	12,009
Interest on loans receivable	1,727	1,689
	73,882	74,388
Expenses		
Grants	40,854	39,114
Forgivable loans	2,129	4,037
Credit and investment losses, net of recoveries (Note 6)	2,041	1,283
Administration (Note 7)	1,283	937
	46,307	45,371
Excess of receipts over expenses	27,575	29,017
Net investment by the Province of Ontario, beginning of year	247,140	218,123
Net investment by the Province of Ontario, end of year	274,715	247,140

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Lending, Investing and Financial Assistance Activities		
Loan disbursements	(5,209)	(11,703)
Loan repayments and recoveries	1,846	4,928
Grants and forgivable loans	(42,241)	(43,065)
Loan guarantees honoured	-	(550)
Interest received on loans receivable	338	582
	(45,266)	(49,808)
Financing Activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	60,000	60,000
Administration	923	690
	60,923	60,690
Operating Activities		
Interest income received	12,360	10,612
Administration costs	(1,283)	(937)
Due from Patten Post Diversification Fund	20	(20)
	11,097	9,655
Increase in cash and cash equivalents	26,754	20,537
Cash and cash equivalents, beginning of year	212,433	191,896
Cash and cash equivalents, end of year	239,187	212,433

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2002

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1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities and reimburses the Corporation for certain administration expenses. The Province's investment is reduced by the net cost of operations.

(c) Loans Receivable

Loans receivable are stated at their estimated net realizable value. Interest-free loans are discounted at the average provincial borrowing rate to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest revenue over the term of the loan.

(d) Provision of Guarantee and Credit Losses

Credit losses arise on loans receivable and guarantees issued to other lenders by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision, and is deducted from loans receivable.

The general provision for the losses on guarantees is included in liabilities. General provisions are established based on part of the historical loss ratios of the Corporation reduced by specific write-offs and write-downs taken.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES

(d) Provision of Guarantee and Credit Losses (Continued)

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions are charged to credit and investment losses in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario.

(e) Revenue Recognition

Interest income is recognized on the accrual basis.

(f) Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses forgivable loans disbursed.

(g) Guarantees

Guarantee losses in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario include provisions and are net of recoveries on guarantees previously honoured.

(h) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of receipts and expenses during the reporting period. Actual results could differ from those estimated.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and highly liquid investments.

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act

Cash and cash equivalents consist of:

	2002 ($000s)	2001 ($000s)
Cash (cheques issued in excess of funds on deposit)	**(4,009)**	3,120
Short-term investments	**243,196**	209,313
	239,187	212,433

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2002

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term investments consist of treasury bills which yielded 3.19% on average (2001 – 5.47%) and have a market value that approximates carrying value.

4. LOANS RECEIVABLE

The Corporation engages a private sector asset management company to manage some of the Corporation's loans and guarantee portfolios.

Generally, loans bear fixed interest rates ranging from 0% to 10.75% and are long-term in nature. All loans are fully repayable within 20 years from the date disbursed.

	2002 ($000s)	2001 ($000s)
Current	2,458	2,509
Long-term	41,128	37,821
Provision for credit losses	(10,103)	(8,264)
Loan discount	(2,778)	(3,343)
	30,705	28,723

The changes in the loan discount balances are as follows:

	2002 ($000s)	2001 ($000s)
Balance, beginning of year	3,343	4,392
Add: Amount of loan discount charged to grant expense	838	118
Less: Amount amortized to loan interest revenue	(1,403)	(1,167)
Balance, end of year	2,778	3,343

5. PATTEN POST DIVERSIFICATION FUND

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2002

5. PATTEN POST DIVERSIFICATION FUND (CONTINUED)

The activity of the Fund was as follows:

	2002 ($000s)	2001 ($000s)
Receipt of trust fund investments	-	14,593
Investment income	535	391
Disbursements to communities	(236)	-
Expense	-	(20)
Net results for the year	299	14,964
Fund balance, beginning of year	14,964	-
Fund balance, end of year	15,263	14,964
The Fund balance is represented by:		
Cash	535	-
Treasury bills maturing in 90 days or less	14,661	14,801
Accrued interest	67	183
Due to the Northern Ontario Heritage Fund Corporation	-	(20)
	15,263	14,964

6. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario are net of recoveries as follows:

	2002 ($000s)	2001 ($000s)
Write-downs/guarantees honoured	235	52
Less recoveries	(32)	(57)
Increase in provision for doubtful loans	1,838	1,288
Net expenses – 2002	2,041	1,283

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2002

7. ADMINISTRATION

Certain costs of administration such as salaries and benefits of employees, their travel, other standard government supplies and accommodation costs are borne by the Province of Ontario through the Ministry of Northern Development and Mines. All other costs are borne by the Corporation. Details are as follows:

	2002 ($000s)	2001 ($000s)
Salaries and benefits	**726**	605
Transportation and communications	**314**	146
Services	**164**	177
Marketing	**51**	-
Supplies and equipment	**28**	9
	1,283	937
Less: expenses borne by the Province	**923**	690
Expenses borne by the Corporation	**360**	247

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The Corporation's share of contributions to the funds during the year was $25,206 (2001: $26,775) and is included in salaries and benefits.

8. COMMITMENTS

Funds committed but not disbursed as at March 31 are approximately:

	2002 ($000s)	2001 ($000s)
Grants	**89,000**	75,000
Forgivable loans	**9,000**	3,000
Repayable loans	**13,000**	14,000
Total commitments	**111,000**	92,000

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TVOntario

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with generally accepted accounting principles, and in accordance with the accounting policies described in Note 2 to the financial statements. Where estimates or judgements have been required, management has determined such amounts on a reasonable basis in conformity with generally accepted accounting policies.

Management is responsible for all information in the financial statements and has certified that all information connected with the financial statements has been provided to the Provincial Auditor.

To assist management in the discharge of its responsibilities, The Ontario Educational Communications Authority (OECA) maintains internal controls that are designed to provide reasonable assurance that its assets are safeguarded, to enable only valid and authorized transactions, and to ensure that accurate, timely, and comprehensive financial information is prepared.

The OECA has an internal audit unit whose functions include reviewing and commenting on internal control.

The OECA Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Board has appointed an audit committee from among its own members. The audit committee meets periodically with management, including the director, Internal Audit, and the Provincial Auditor, to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements were reviewed jointly by the audit and finance committees before approval by the Board of Directors.

The Provincial Auditor conducts an annual audit in accordance with Section II of the Ontario Educational Communications Authority Act. The auditor's report outlines the scope of the auditor's examination and opinion.

Lee Robock

Lee L. Robock
General Manager &
Chief Operating Officer
May 24, 2002

Office of the
Provincial Auditor
of Ontario

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Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Training, Colleges and Universities

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2002 as well as the statement of operations and equity, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
May 24, 2002

Erik Peters, FCA
Provincial Auditor

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Financial Position
as at March 31, 2002

Assets	2002 ($000's)	2001 ($000's)
Current Assets		
Cash and short-term investments (note 3)	15,155	9,338
Accounts receivable (note 4)	2,642	4,339
Inventories	577	551
Prepaid expenses	678	577
	19,052	**14,805**
Deferred pension charges (note 5)	**4,342**	**3,609**
Investments held for Capital Renewal (note 7)	**8,034**	**9,380**
Net Capital Assets (note 6)	**16,484**	**16,594**
Total Assets	**47,912**	**44,388**
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	9,106	7,900
Deferred revenue (note 8)	3,032	1,780
Lease obligations (note 9)	106	83
	12,244	**9,763**
Non Current Liabilities		
Lease obligations (note 9)	93	199
Employee future benefits (note 5)	1,133	543
Deferred capital contributions (note 10)	20,279	21,359
	21,505	**22,101**
Equity		
Invested in capital assets	4,040	4,333
Restricted - Deferred pension charges (note 5)	4,342	3,609
Unrestricted	5,781	4,582
	14,163	**12,524**
Total Liabilities and Equity	**47,912**	**44,388**

Commitments and Contingencies Liabilities (note 14, note 17)

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Director

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY
Statement of Operations and Equity
for the year ended March 31, 2002

	2002 ($000's)	2001 ($000's)
Revenues		
Government grants and funding (note 11)	52,092	50,226
OECA earned revenue (note 12)	14,028	12,513
Amortization of deferred capital contributions (note 10)	2,114	2,422
Deferral of pension charges (note 5)	733	807
Capital revenue and renewal fund, net	235	164
	69,202	**66,132**
Expenses		
Program services (note 13)	52,994	51,852
Administrative services	4,961	4,804
Cost of OECA earned revenue (note 12)	6,229	5,609
Amortization of capital assets	3,379	3,503
	67,563	**65,768**
Excess of revenues over expenses	**1,639**	**364**
Equity, beginning of year	**12,524**	**12,160**
Equity, end of year	**14,163**	**12,524**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY
Statement of Changes in Equity
for the year ended March 31, 2002

	2002 ($000's)				2001 ($000's)
	Invested in Capital Assets	**Restricted Deferred Pension Charges**	**Unrestricted**	**Total**	**Total**
Balance, beginning of year	4,333	3,609	4,582	**12,524**	**12,160**
Excess of revenues over expenses	(1,265)	733	2,171	**1,639**	**364**
Investment in Capital assets	972	0	(972)	**0**	**0**
Balance, end of year	**4,040**	**4,342**	**5,781**	**14,163**	**12,524**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Cash Flows
for the year ended March 31, 2002

	2002 ($000's)	2001 ($000's)
OPERATING ACTIVITIES		
Excess of revenues over expenses	1,639	364
Add (deduct) non-cash items:		
Amortization of capital assets	3,379	3,503
Amortization of deferred capital contributions	(2,114)	(2,422)
Deferral of pension charges	(733)	(807)
Employee future benefits	590	543
Loss on disposal of capital assets	28	112
Net change in non-cash working capital:		
Accounts receivable	1,697	1,306
Inventories	(26)	90
Prepaid expenses	(101)	170
Deferred revenue	1,252	1,571
Accounts payable and accrued liabilities	1,206	826
Cash provided by operating activities	**6,817**	**5,256**
INVESTING AND FINANCING ACTIVITIES		
Capital asset additions	(3,338)	(3,024)
Proceeds from disposal of capital assets	41	204
Current year's deferred capital contributions	2,380	1,476
Lease obligations	(83)	(187)
Cash used in investing and financing activities	**(1,000)**	**(1,531)**
Net increase in cash position during the year	**5,817**	**3,725**
Cash and short-term investments, beginning of year	**9,338**	**5,613**
Cash and short-term investments, end of year	**15,155**	**9,338**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Notes to Financial Statements
March 31, 2002

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by an act of the Ontario Legislature. In accordance with the act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario and a registered non-profit organization under the Income Tax Act, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis and is net of an allowance for obsolescence. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Building	30 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Leasehold Improvements	5 years
In House Technical Equipment	7 years
Transmitter Test & Monitor Equipment	7 years
Transmitters	17 years
Computer Equipment	5 years
Vehicles	5 years

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the rights to the program material are sold.

2. Membership contributions are recorded on a cash basis.

3. Grants and revenues received in the year for special purposes are deferred until the related expenditure has been incurred.

4. Revenue from contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

(e) Employee Future Benefits

Effective April 1, 2000, the Authority prospectively applied the new accounting recommendations for employee future benefits. The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The transitional asset and obligations are being amortized over the expected average remaining service period of active employees expected to receive benefits under these plans. The cost of pension benefits and other post retirement benefits for the defined benefit plans are actuarially determined by independent actuaries using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued at market value.

(f) Use of Estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by Ontario, any other province of Canada, Canada or the United Kingdom, securities issued by the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments of $15,155,000 (2001 - $9,338,000) include $11,560,000 (2001 - $6,829,000) of investments maturing within 60 days, yielding 3.3% (2001 - 5.5%) on average during the year, with a market value that approximates carrying value.

4. ACCOUNTS RECEIVABLE

	2002 ($000's)	2001 ($000's)
Project funding	1,396	3,288
Trade	881	650
Other	365	401
	2,642	**4,339**

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

5. EMPLOYEE FUTURE BENEFITS

The Authority maintains non-contributory defined benefit pension plans and a defined contribution pension plan for its employees.

Under it's defined benefit pension plan, the Authority had an accrued benefit asset at March 31 of $4,342,000 (2001-$3,609,000). The Authority's deferral of pension charges for the year was $733,000 (2001-$807,000). No employer contributions were made to the plan during the year, and pension benefits paid were $2,237,000 (2001-$2,174,000).

The Authority's contributions during the year to the defined contribution pension plan were $9,000 (2001-$234,000).

The Authority also offers non-pension post retirement benefits such as health care to employees through defined benefit plans on a cost sharing basis. At March 31, the unfunded post retirement benefit plan had a net accrued benefit liability of $1,133,000 (2001-$543,000). The post retirement benefits paid by the Authority during the year were $75,000. The Authority's post retirement benefits expense for the year was $665,000.

Additional information about the Authority's defined benefits plans at March 31, in aggregate is as follows:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2002 ($000's)	2001 ($000's)	2002 ($000's)	2001 ($000's)
Accrued benefit obligation	62,617	56,115	4,632	3,963
Market value of plan assets	71,617	71,976	0	0
Funded status - plan (surplus)/deficit	(9,000)	(15,861)	4,632	3,963

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2002	2001	2002	2001
Discount rate	6.55%	7.00%	6.55%	7.00%
Expected investment return on plan assets	8.00%	8.00%	0	0
Rate of compensation increase	4.50%	5.00%	5.00%	0

With respect to the post retirement benefit plan, for measurement purposes, a 9.0% increase per year in 1999 in the cost of covered health care benefits reducing to 5.0% by the year 2007, a 4.0% increase in dental care benefits, and no increase in life insurance costs are assumed.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

6. NET CAPITAL ASSETS

Capital assets consist of the following:

	2002 ($000's)			2001 ($000's)
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	236	0	236	236
Buildings	4,718	2,727	1,991	2,136
Transmitters	26,839	21,104	5,735	6,704
Transmitter test and monitor equipment	920	798	122	69
In house technical equipment	20,054	17,540	2,514	3,204
Leasehold improvements	3,619	2,741	878	1,299
Computer equipment	4,672	2,657	2,015	1,718
Office furniture and fixtures	1,994	1,548	446	530
Office equipment	1,062	815	247	338
Vehicles	534	275	259	360
Construction in Progress	2,041	0	2,041	0
	66,689	**50,205**	**16,484**	**16,594**

7. INVESTMENTS HELD FOR CAPITAL RENEWAL

	2002 ($000's)	2001 ($000's)
Balance, beginning of year	9,380	9,538
Grants from the Ministry of Training, Colleges and Universities (note 11)		
- base grant allocation	961	961
Interest earned	308	521
Drawing for capital acquisitions	(2,615)	(1,640)
Balance, end of year	**8,034**	**9,380**

A portion of the funding received each year has been set aside since the 1984 fiscal year to ensure that the Authority's technical capital assets keep pace with technological changes. It provides funds for future maintenance and replacement of technical capital assets when needed. Available funds are invested in short-term deposits.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

8. DEFERRED REVENUE

	2002 ($000's)	2001 ($000's)
Provincial government programming project funding (note 11)	2,963	1,740
Corporate project underwriting and other revenue	69	40
	3,032	**1,780**

Expenditure related to the above deferrals has been budgeted in the 2003 fiscal year.

9. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

	2002 ($000's)	2001 ($000's)
Lease obligations, beginning of year	282	469
Add: new capital leases	0	209
Less: payments made on existing capital leases	(74)	(148)
retirement of capital leases	(9)	(248)
Lease obligations, end of year	**199**	**282**
Current lease obligations	106	83
Non-current lease obligations	93	199

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets. The amortization of deferred capital contributions related to capital assets is recorded in the Statement of Operations and Equity. The changes in the deferred contributions balance are as follows:

	2002 ($000's)	2001 ($000's)
Deferred capital contributions, beginning of year	21,359	22,463
Add: Capital renewal fund received and interest earned	1,269	1,482
Current year's Deferred capital contributions	2,380	1,476
Less: Drawings from Capital renewal fund	(2,615)	(1,640)
Amortization of Capital contributions	(2,114)	(2,422)
Deferred capital contributions, end of year	**20,279**	**21,359**

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

11. GOVERNMENT GRANTS AND FUNDING

	2002 ($000's)	2001 ($000's)
Provincial		
Ministry of Training, Colleges and Universities - Base grant	48,040	48,040
Less: Amount transferred to investments held for capital renewal (note 7)	(961)	(961)
	47,079	47,079
Programming project grants and funding:		
Ministry of Training, Colleges and Universities - Life Long Learning Challenge Fund	3,250	1,750
Other Province of Ontario Ministries & Agencies	707	767
Funding deferred from prior year	1,740	70
Funding deferred to future year (note 8)	(2,963)	(1,740)
	2,734	847
Total Provincial	**49,813**	**47,926**
Federal		
Programming project grants and funding:		
Heritage Canada	2,150	2,041
Others	129	259
Total Federal	**2,279**	**2,300**
Total government grants and funding	**52,092**	**50,226**

12. OECA EARNED REVENUE AND COST OF OECA EARNED REVENUE

	2002 ($000's)			2001 ($000's)		
	Revenue	Cost*	Net Revenue	Revenue	Cost*	Net Revenue
Program sales	3,123	2,553	570	2,982	2,368	614
Membership	6,488	3,135	3,353	5,323	2,827	2,496
Corporate project underwriting **	1,155	432	723	1,046	262	784
Other income	3,262	109	3,153	3,162	152	3,010
	14,028	**6,229**	**7,799**	**12,513**	**5,609**	**6,904**

*Cost includes dedicated costs and allocated overhead costs.

	2002 ($000's)	2001 ($000's)
** Corporate project underwriting revenue:		
Revenue received in the year	1,188	998
Revenue deferred from prior year	3	51
Revenue deferred to future year	(36)	(3)
	1,155	**1,046**

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

13. PROGRAM SERVICES

	2002 ($000's)	2001 ($000's)
Broadcast services	38,615	38,900
Learning services	6,039	4,610
Technical support	5,117	4,700
Research and planning	835	899
Advertising and promotion	2,388	2,743
	52,994	**51,852**

14. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31	($000's)
2003	2,028
2004	1,919
2005	1,867
2006	1,392
2007	915
	8,121
2008 and beyond	380
Total future lease payments	**8,501**

The total interest payable included in the amount is $25,000.

15. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the membership area. The Authority also receives contributions of materials for use mainly in fund raising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

16. THE INDEPENDENT LEARNING CENTRE

An agreement dated March 7, 2002 to transfer the Independent Learning Centre (ILC) to the Authority was executed among the Ministry of Education, the Ministry of Training, Colleges and Universities, and the Authority. The actual transfer of ILC operations to the Authority will be April 1, 2002. ILC will be added to the Authority's E-learning division.

ILC provides a wide range of distance education courses, in English and in French, that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also offers an elementary program for children who may not be able to access day school programs. All products and services that are being offered by ILC will continue to be available after the transfer. The General Education Development (GED) testing will also be available through ILC.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

17. CONTINGENT LIABILITIES

Contingent liabilities refer to possible legal claims that have been made against the Authority. Although the ultimate outcome of these claims cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, adequate provisions have been made for those liabilities that in the opinion of management may result in future settlements. Differences between provisions and actual settlements will be accounted for at time of settlement.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to current presentation.

19. THE TVONTARIO FOUNDATION

The Authority controls The TVOntario Foundation (the Foundation) which became designated as a public foundation effective April 1, 1998. The board of directors of the Foundation is appointed by the board of directors of the Authority. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The objectives of the Foundation are to receive and maintain a fund or funds and to pay all or part of the principal and income to the Authority provided that the Authority maintains its status as a registered charity and continues to have as its objective the promotion of educational and/or children's programming.

In accordance with accounting standards the accounts of the Foundation are not consolidated in the financial statements of the Authority. Financial summaries of the Foundation are as follows:

The TVOntario Foundation

Financial Position as at March 31st

	2002 ($000's)	2001 ($000's)
Cash on hand	54	38
Total assets	54	38
Fund balance	54	38

Results of operations for the year ending March 31st

	2002 ($000's)	2001 ($000's)
Revenue		
Donations	16	5
Total revenue	16	5
Total expenses*	0	0
Excess of revenue over expenses	16	5
Fund balance, beginning of year	38	33
Fund balance, end of year	54	38

*The board of directors of the Authority has approved the funding of the Foundation's expenditures through the Authority until the Foundation is self-sufficient. The funding provided is net of interest earned on the Foundation's assets. The Foundation's net expenditures absorbed by the Authority were $27,000 during the year ended March 31, 2002 (2001 nil).

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Salary Disclosure for Ontario Educational Communications Authority (TVOntario)

Surname	Given Name	Position Title	Salary Paid	Taxable Benefits
ARNOLD	CLARA	Director, Human Resources	$101,175.00	$1,129.00
BAKER	ROBERT	Managing Director, Revenue & Develop.	$110,000.00	$1,278.00
BASSETT	ISABEL	Chair & Chief Executive Officer	$115,000.00	$13,420.00
BLACKBURN	RUSSELL	Host /Producer	$129,079.00	$904.00
BUTTIGNOL	RUDY	Creative Head/ Docu. & Drama Network	$104,449.00	$0.00
ELLINGSON	PAT	Creative Head/Children's Daytime Prog.	$111,392.00	$1,273.00
GRANT	DOUG	Creative Head/Current Affairs	$119,025.00	$1,336.00
HADDON	BETH	Managing Director, English Prog.Servs.	$124,200.00	$1,419.00
PAIKIN	STEVE	Host/Producer	$169,783.00	$2,459.00
PAQUIN	CLAUDETTE	Managing Director, French Prog.Servs.	$113,688.00	$1,300.00
QUENNEVILLE	GISELE	Service Producer	$100,938.00	$1,011.00
ROBOCK	LEE	General Mgr.& Chief Operating Officer	$130,199.00	$3,429.00
TAYLOR	PAMELA	Director, Legal Services	$104,047.00	$1,177.00
TODD	PAULA	Host/Producer	$158,006.00	$1,623.00

Ontario Electricity Financial Corporation

Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Ontario Electricity Financial Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 19, 2002.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. Internal Audit Services of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:

Gadi May

Gadi Mayman

Vice-Chair and Chief Executive Officer (Interim)

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Electricity Financial Corporation
and to the Minister of Finance

I have audited the consolidated balance sheet of the Ontario Electricity Financial Corporation as at March 31, 2002 and the consolidated statements of revenue, expense and unfunded liability and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 19, 2002

Erik Peters, FCA
Provincial Auditor

Ontario Electricity Financial Corporation

Ontario Electricity Financial Corporation
Consolidated Balance Sheet as at March 31, 2002
($ Millions)

	2002	Restated (Note 10) 2001
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	$ 23	$ 399
Accounts receivable	292	293
Interest receivable	106	112
Current portion of notes receivable (Note 7)	443	640
	864	1,444
Payments-in-lieu of tax receivable (Note 10)	236	203
Due from Province of Ontario (Note 6, 10)	524	646
Notes and loans receivable (Note 7)	14,949	15,279
Deferred debt costs	905	983
	$ 17,478	$ 18,555
LIABILITIES		
Current Liabilities		
Accounts payable	$ 442	$ 326
Interest payable	659	734
Short-term notes payable (Note 8)	3,996	2,570
Current portion of long-term debt (Note 8)	2,548	2,774
	7,645	6,404
Long-term debt (Note 8)	22,820	25,222
Power purchase agreements (Note 9)	4,286	4,286
Nuclear funding liability (Note 9)	2,812	2,659
	37,563	38,571
UNFUNDED LIABILITY (Note 4, 10)	(20,085)	(20,016)
Contingencies and guarantees (Note 12)		
	$ 17,478	$ 18,555

Approved on behalf of the Board of Directors:

Bob Christie
Chair

Michael L. Gourley
Vice-Chair

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Ontario Electricity Financial Corporation
Consolidated Statement of Revenue, Expense and Unfunded Liability

for the Year Ended March 31, 2002

($ Millions)

	2002	Restated (Note 10) 2001
REVENUE		
Revenue pool residual	$ 1,296	$ 748
Payments-in-lieu of tax (Note 10)	387	907
Interest	1,028	1,070
Power sales (Note 9)	815	695
Electricity sector dedicated income (Note 6, 10)	-	263
Other	18	27
Total Revenue	3,544	3,710
EXPENSE		
Interest - short-term debt	113	166
- long-term debt	2,223	2,361
Interest on nuclear funding liability	153	144
Amortization of deferred debt costs	140	146
Power purchases (Note 9)	815	695
Debt guarantee fee	153	157
Operating	16	23
Total Expense	3,613	3,692
Deficiency (excess) of revenue over expense	69	(18)
Unfunded Liability, beginning of year (Note 10)	20,016	20,034
Unfunded Liability, end of year	$ 20,085	$ 20,016

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Ontario Electricity Financial Corporation
Consolidated Statement of Cash Flows
for the Year Ended March 31, 2002
($ Millions)

	2002	Restated (Note 10) 2001
CASH FLOWS USED IN OPERATING ACTIVITIES		
Deficiency (excess) of revenue over expense	$ 69	$ (18)
Adjustments for:		
Amortization of deferred debt costs	(140)	(146)
Interest on nuclear funding liability	(153)	(144)
Electricity sector dedicated income	-	263
Payments-in-lieu of tax receivable	(48)	203
Net change in other balance sheet accounts	(89)	18
Net cash (provided from) required by operations	(361)	176
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	1,123	2,924
Less long-term debt retired	3,826	3,008
Long-term debt retired (issued), net	2,703	84
Short-term debt retired (issued), net	(1,426)	876
Repayment of notes receivable	(540)	(1,533)
Net cash required by (provided from) financing activities	737	(573)
Decrease (increase) in cash and cash equivalents	376	(397)
Cash and cash equivalents, beginning of year	399	2
Cash and cash equivalents, end of year	$ 23	$ 399
Interest paid during the year and included in deficiency (excess) of revenue over expense	$ 2,411	$ 2,575

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Notes to Financial Statements

1. Restructuring of the Ontario Electricity Industry

Effective April 1, 1999, pursuant to the *Electricity Act, 1998*, Ontario Hydro was continued as a corporation without share capital under the name Ontario Electricity Financial Corporation (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. OEFC is a Crown agency created to manage the debt and administer the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities. These other successor entities include:

- Ontario Power Generation Inc. (OPG), an electricity generation company;
- Hydro One Inc. (Hydro One), a regulated electricity transmission and distribution business that operates certain energy service businesses in an unregulated, competitive environment;
- Independent Electricity Market Operator (IMO), the regulated centralized independent system co-ordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IMO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province exchanged equity of $5,126 million and $3,759 million in OPG and Hydro One respectively for debt payable to OEFC.

OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and, as provided under the *Energy Competition Act, 1998*, from dedicated electricity revenues in the form of payments-in-lieu (PILs) of corporate income, capital and property taxes made by the successor entities and municipal electric utilities. Any residual debt will be serviced through a Debt Retirement Charge (DRC) to be paid by electricity consumers after open access. Until open access, on May 1, 2002, OEFC continued to be a party to a revenue-allocation agreement among successor entities and was entitled to the forecast residual amount in the revenue pool after allocations to OPG, Hydro One and the IMO are paid.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) as recommended in the Handbook of the Canadian Institute of Chartered Accountants.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the estimated liability for power purchase agreements and in the calculation of the interest on the nuclear funding liability (see Note 9 for additional details).

Ontario Electricity Financial Corporation

Estimates are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

Consolidation

These financial statements include the accounts of OEFC's wholly owned subsidiary, Ontario Electricity Pension Services Corporation (see Note 3).

Deferred Debt Costs

Deferred debt costs includes the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity.

Revenue Recognition

Revenues are recognized in the period in which they are earned. Amounts received prior to being earned are reflected as deferred revenues.

Foreign Currency Translation

Debt is composed of short-, medium- and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at period-end rates of exchange and any exchange gains or losses are deferred and amortized over the remaining term to maturity.

3. Ontario Electricity Pension Services Corporation

OEFC was the administrator of the Ontario Electricity Financial Corporation Pension Plan and Fund. It was responsible for negotiating an agreement with each of the successor corporations for the division and transfer of the assets and liabilities of the OEFC pension plan to the pension plans of the successor corporations. The Ontario Electricity Pension Services Corporation (OEPSC), a wholly owned subsidiary of OEFC, acted as agent for OEFC to carry out the required administrative, investment and other responsibilities of the OEFC Pension Plan and Fund. Costs associated with the administration of the OEFC Pension Plan and Fund amounting to approximately $8 million (2001 - $17 million) were charged to and payable by the pension fund.

OEPSC made an application to the Superintendent of Financial Services for Ontario for approval to transfer all of the assets of the OEFC Pension Plan to the pension plans of the four successor operating entities. The Superintendent agreed to the transfer on June 6, 2001. With the exception of certain records and assets of nominal value, all pension fund assets were transferred to the pension plans of successor corporations on June 29, 2001. As OEPSC's functions have been completed, OEFC is in the process of winding up the company.

Ontario Electricity Financial Corporation

4. Economic Dependence

OEFC does not have its own credit rating and is, therefore, dependent on the Province to borrow and on-lend the funds required to refinance maturing debt and to cover any cash shortfalls in the Corporation. It is also dependent on the long-term plan to defease the unfunded liability described in Note 10. Based on the Province's support in refinancing maturing debt and the long-term plan, OEFC is considered a going concern.

5. Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments with maturities of less than three months. They are recorded at cost, which approximates current market value.

6. Due from Province of Ontario

The Province has committed to dedicate to OEFC the combined net income of OPG and Hydro One in excess of the Province's financing cost of its investment in its electricity subsidiaries. In the year ended March 31, 2002, earnings in the subsidiaries did not exceed the Province's financing cost of its investment. Consequently, no dedicated income transfer has been reflected. In addition, OEFC owed Hydro One a working capital adjustment in the amount of $122 million. Hydro One agreed to settle this amount owing to them as a reduction of their Shareholder's Equity account rather than requiring OEFC to transfer cash in settlement of OEFC's liability. In turn, the Province as sole shareholder of Hydro One reduced its investment in its subsidiary by a like amount. The net result of the Province's settling this amount on OEFC's behalf is that OEFC's liability to Hydro One of $122 million has been eliminated in exchange for a reduction in OEFC's receivable from the Province.

7. Notes and Loans Receivable

($ millions)

	Maturity date	Interest rate	Interest payable	March 31, 2002	March 31, 2001
Province of Ontario	2039 - 2041	5.85	Monthly	$ 8,885	$ 8,885
OPG	2003 - 2011	5.4 to 6.65	Semi-annually	3,200	3,300
Hydro One	2002 - 2007	5.4 to 14.3	Semi-annually	2,972	3,412
IMO	2009	7.90	Semi-annually	78	78
				15,135	15,675
Less: current portion of notes receivable				443	640
				14,692	15,035
Loans receivable from non-utility generators (NUGs) (See Note 9)				257	244
				$ 14,949	$ 15,279

OEFC has agreed with OPG and IMO not to sell notes owing from these successor entities without their prior approval. With respect to notes owing from Hydro One, OEFC is in discussions to secure approval to sell these notes.

OEFC has further agreed with OPG to defer principal repayments totalling $200 million originally due in March and September, 2002 until December 31, 2004.

Ontario Electricity Financial Corporation

8. Debt

Debt at March 31, 2002 is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

($ millions) Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	2002 Total	2001 Total
Maturing in:					
1 year	5,786	758	—	6,544	5,344
2 years	1,601	—	65	1,666	2,548
3 years	3,250	—	—	3,250	1,813
4 years	1,000	—	—	1,000	2,700
5 years	119	—	—	119	1,000
1-5 years	11,756	758	65	12,579	13,405
6-10 years	6,691	1,546	—	8,237	8,654
11-15 years	648	1,195	—	1,843	1,831
16-20 years	2,702	—	—	2,702	1,078
21-25 years	3,037	—	—	3,037	3,558
26-50 years	966	—	—	966	2,040
Total	**$ 25,800**	**$ 3,499**	**$ 65**	**$ 29,364**	**$ 30,566**

The effective rate of interest on the debt portfolio is 6.96% (2001 - 7.85%) before considering the effect of derivative instruments used to manage interest rate risk. The longest term to maturity is to October 17, 2031. Total foreign currency denominated debt at March 31, 2002 was $3.6 billion (2001 - $3.9 billion), of which $1.9 billion or 52.8% (2001 - $2.2 billion or 56.4%) was fully hedged to Canadian funds. Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2002			March 31, 2001		
($ millions)	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	3,996	—	3,996	2,570	—	2,570
Current portion of long-term debt	48	2,500	2,548	569	2,205	2,774
Long-term debt	9,173	13,647	22,820	8,056	17,166	25,222
Total	**$ 13,217**	**$ 16,147**	**$ 29,364**	**$ 11,195**	**$ 19,371**	**$ 30,566**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC's debt at March 31, 2002 is $32.8 billion (2001 - $34.4 billion). This is higher than the book value of $29.4 billion (2001 - $30.6 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

Ontario Electricity Financial Corporation

9. Long-Term Liabilities

Power purchase agreements and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. These contracts, expiring on various dates to 2048, provide for the purchase of power at prices that are expected to be in excess of the market price. This liability has been valued at $4,286 million on a discounted cash-flow basis. As the continued Ontario Hydro, OEFC is the counterparty to these contracts. In fiscal 2001-02 the power purchased from NUGs was resold at cost to the revenue pool managed by OPG. However, after open access on May 1, 2002, this power will be sold at market prices that may be greater or less than cost.

During the year, OEFC purchased power in the amount of $815 million (2001 - $695 million) and sold this power to the revenue pool for the same amount. Until September 30, 2001, Hydro One managed the NUG power purchase agreements and the related loans on behalf of OEFC for a fee of $1.5 million (2001 - $3 million). Beginning October 1, 2001, Enron Canada Corporation became contract manager. Effective April 18, 2002, the NUG Contract Management Agreement between Enron and OEFC was assigned to UBS Warburg Energy (Canada) Ltd. Annual fees will include both a fixed fee of approximately $750,000 plus a variable fee based on performance in minimizing losses on NUG power sales.

Loans to NUGs increased during the year by $13 million to $257 million at March 31, 2002 (2001 - $244 million), primarily due to interest revenue during the year which has been added to the principal balance.

Nuclear funding liability - OEFC as the continued Ontario Hydro received a liability in the amount of $2,378 million representing nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999. Interest has been accrued at an estimated 5.75 per cent and is included in the total value of $2,812 million as at March 31, 2002 (2001 - $2,659 million). Although the Nuclear Risk Sharing Agreement has been signed, the calculation of the interest rate is still under negotiation between the Province and OPG and is subject to change. The impact of the finalization of the interest rate for the fiscal year is not expected to result in a material difference to the liability balance.

10. Unfunded Liability - Restatement of Comparative Figures

Ontario Power Generation Inc. (OPG), in their 2001 Annual Financial Statements, restated their operating results and opening retained earnings for the year 2000 due to a change in accounting policy in the treatment of pensions and other benefits. This restatement reduced the net income of OPG and opening retained earnings for 2000, thereby reducing OEFC's payments-in-lieu of tax and electricity sector dedicated income for fiscal 2001 as set out below:

	2001		
($ millions)	Previously Stated	Change (reduction)	Restated
Payments-in-lieu of tax	$988	($81)	$907
Electricity sector dedicated income	$408	($145)	$263
Excess of revenue over expense	$244	($226)	$18
Unfunded liability	$19,790	$226	$20,016

Ontario Electricity Financial Corporation

Pursuant to the *Electricity Act, 1998* and consistent with the principles of electricity restructuring, the government has a long-term plan in place to retire OEFC liabilities from within the electricity industry. The Plan includes cash flows from the following sources as at April 1, 1999:

Notes receivable from the Province of $8.9 billion, OPG of $3.4 billion, Hydro One of $4.8 billion and IMO for $0.1 billion for a total of $17.2 billion as a result of the transfer of assets to successor companies.

Payments-in-lieu of corporate income, property and capital taxes made by OPG, Hydro One and municipal electric utilities.

A Debt Retirement Charge to be paid by ratepayers based on the consumption of electricity, and

Electricity Sector Dedicated Income - Consistent with the Government's commitment to keep electricity income in the electricity sector, the combined net income of OPG and Hydro One in excess of the Province's financing cost of its investment in its electricity subsidiaries will be set aside for the retirement of OEFC's debt.

The long-term plan supports a current estimate that OEFC's obligations will likely be defeased in the year 2012 (compared to 2010 at March 31, 2001).

11. Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, OEFC uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency cash flows to reach a maximum of 20 per cent of total debt. At year end, 7.5 per cent (2001 - 7.1%) of this debt was unhedged, with most of the currency exposure to U.S. dollars.

Floating rate risk is the exposure of OEFC to changes in short-term interest rates over a 12-month period. OEFC reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of total debt. At year end, OEFC's floating rate debt as a percentage of total debt was 9.8 per cent (2001 - 5.7%).

Liquidity risk is the risk that OEFC will not be able to meet its current short-term financial obligations. As explained in Note 4, OEFC is dependent on the Province to borrow and on-lend the funds required to refinance maturing debt and to cover any cash shortfalls in the Corporation.

Ontario Electricity Financial Corporation

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2002, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value
($ millions)
As at March 31, 2002

Maturity in Fiscal Year	2003	2004	2005	2006	2007	6-10 Years	Over 10 Years	Total	2001
Cross-currency swaps	-	644	-	-	-	884	-	1,528	1,806
Interest rate swaps	507	2,214	292	735	132	1,015	1,525	6,420	6,893
Forward foreign exchange contracts	974	-	-	-	-	-	-	974	1,171
Other[1]	200	-	50	-	-	-	-	250	662
Total	$ 1,681	2,858	342	735	132	1,899	1,525	9,172	$ 10,532

[1] Other includes: swaptions and forward rate agreements.

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2002.

Credit Risk Exposure ($ millions)	March 31, 2002	March 31, 2001
Gross credit risk exposure[1]	4,569	5,437
Less: Netting[2]	(4,709)	(5,519)
Net credit risk exposure[3]	$ (140)	$ (82)

Notes:

[1] Gross credit risk exposure includes credit exposure on swaps, options, futures, forward rate agreements and forward foreign exchange agreements.

[2] Contracts do not have coterminous settlement dates. However, master agreements provide for close out netting.

[3] Total exposure to counterparties with positive exposure (meaning that counterparties owed OEFC) was $111 million (2001 - $210 million) and the total exposure to counterparties with negative exposure (meaning that OEFC owed the counterparties) was $251 million (2001 - $292 million) for a total net credit exposure of ($140) million (2001 - ($82) million).

The gross credit risk exposure represents the amount of loss that OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time and the netting of individual counterparty credit risk exposure was not allowed. OEFC manages its credit risk exposure from derivatives by entering into contractual agreements (master agreements) that provide for termination netting and, if applicable, payment netting with virtually all of its counterparties. The net credit risk exposure includes the mitigating impact of these netting provisions.

OEFC manages its credit risk exposure by regularly monitoring compliance with credit limits and by dealing with counterparties with high credit quality. At March 31, 2002, OEFC's most significant concentrations of credit risk were with three "A+" or higher rated counterparties, each of which represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to OEFC, if it had to replace all of the swap contracts with these three counterparties is, $15 million, $36 million and $60 million, respectively.

Ontario Electricity Financial Corporation

12. Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. Under the terms of the April 1, 1999 restructuring of Ontario Hydro, each successor entity (OPG, Hydro One, ESA and IMO, and their respective subsidiaries) is responsible for any liabilities relating to those operations of the former Ontario Hydro that were transferred to it. In the event any such liabilities remained with OEFC, the successor entity is also required to indemnify OEFC. With respect to legal actions relating to the operations of Ontario Hydro that were retained by OEFC, the outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements of these contingencies, if any, will be reflected in the period in which settlement occurs.

Subject to a $10 million and $20 million deductible respectively, OEFC has agreed to indemnify Hydro One and OPG in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the companies at April 1, 1999 and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province of Ontario has guaranteed any liability arising from these indemnifications.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately $124 million at March 31, 2002 (2001 - $135 million).

Ontario Financing Authority

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 28, 2002.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors, and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Gadi May

Gadi Mayman
CEO and Vice-Chair (Interim)
Ontario Financing Authority
June 28, 2002

Office of the
Provincial Auditor
of Ontario

Bureau du
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Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2002 and the statement of net income and retained earnings, and the cash flow statement for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 28, 2002

Erik Peters, FCA
Provincial Auditor

Ontario Financing Authority

Balance Sheet

As at March 31, 2002

(in thousands of dollars)	Corporate	POSO	Total 2002	restated (note8) Total 2001
ASSETS				
Current assets				
Cash	$ 134	21,733	21,867	$ 13,573
Receivable from the Province of Ontario (note 2i and 8ii)	—	2,108,550	2,108,550	2,139,691
Accounts receivable	4,576	34,876	39,452	46,801
Loans receivable (note 4)	9	—	9	301
Total current assets	$ 4,719	2,165,159	2,169,878	$2,200,366
Long-term assets				
Capital assets (note 3)	1,410	323	1,733	1,785
Receivable from the Province of Ontario (note 2ii)	—	497,058	497,058	446,194
Loans receivable (note 4)	79,038	—	79,038	79,043
Total assets	$85,167	2,662,540	2,747,707	$2,727,388
LIABILITIES AND RETAINED EARNINGS				
Current liabilities				
Accounts payable and accrued liabilities	$ 6,077	30,670	36,747	$ 43,779
Funds on deposit (note 2i)	—	2,060,865	2,060,865	2,091,494
Due to the Province of Ontario (note 4)	9	—	9	301
Total current liabilities	$ 6,086	2,091,535	2,097,621	$2,135,574
Long-term debt				
Funds on deposit (note 2ii)	—	497,058	497,058	446,194
Due to CPP and the Province of Ontario (note 4)	79,048	—	79,048	79,053
Total liabilities	$85,134	2,588,593	2,673,727	$2,660,821
Retained earnings	33	73,947	73,980	66,567
Total liabilities and retained earnings	$85,167	2,662,540	2,747,707	$2,727,388

See accompanying notes to financial statements.

Approved on behalf of the Board:

Bob Christie
Chair

Michael L. Gourley
Vice-Chair and Chief Executive Officer

Ontario Financing Authority

Statement of Net Income and Retained Earnings

Year ended March 31, 2002

(in thousands of dollars)	Corporate	POSO	Total 2002	restated (note8) Total 2001
REVENUE				
Interest revenue	$ 7,607	105,392	112,999	$ 145,361
Cost recovery from the Province	11,770	—	11,770	11,494
Miscellaneous revenue	—	1,497	1,497	821
Total revenue	$ 19,377	106,889	126,266	$ 157,676
EXPENDITURES				
Interest on short-term debt	$ —	59,411	59,411	$ 89,560
Interest on long-term debt	7,601	27,275	34,876	31,803
Salaries, wages and benefits	8,692	8,434	17,126	17,891
Administrative and general	2,233	4,041	6,274	6,213
Amortization	845	321	1,166	1,112
Total expenditures	$ 19,371	99,482	118,853	$ 146,579
Net income for the year	$ 6	7,407	7,413	$ 11,097
Retained earnings, beginning of the year	27	66,540	66,567	55,470
Retained earnings, end of the year	$ 33	73,947	73,980	$ 66,567

See accompanying notes to financial statements.

Ontario Financing Authority

Cash Flow Statement

Year ended March 31, 2002

(in thousands of dollars)	Corporate	POSO	Total 2002	restated (note8) Total 2001
Cash flows from operating activities				
Net income for the year	$ 6	7,407	7,413	$ 11,097
Adjustments to reconcile net income to funds provided by operating activities:				
Amortization	845	321	1,166	1,112
Net change in receivables, payable and accrued liabilities	236	(20)	216	(32)
Cash flows from operating activities	$ 1,087	7,708	8,795	$ 12,177
Cash flows from financing activities				
Increase (decrease) in proceeds from depositors	$ –	20,235	20,235	$ (274,485)
Repayments to the Province re: OMIC loans	(297)	–	(297)	(487)
Repayments from holders of OMIC loans	297	–	297	487
Cash flows from/(used in) financing activities	$ –	20,235	20,235	$ (274,485)
Cash flows from investing activities				
Transfer of POSO funds from/(to) the Province of Ontario	$ –	(19,623)	(19,623)	$ 254,022
Purchase of capital assets	(1,082)	(31)	(1,113)	(875)
Cash flows (used in)/from investing activities	$(1,082)	(19,654)	(20,736)	$ 253,147
Net increase (decrease) in cash	$ 5	8,289	8,294	$ (9,161)
Cash at beginning of the year	129	13,444	13,573	22,734
Cash at end of the year	$ 134	21,733	21,867	$ 13,573

See accompanying notes to financial statements.

Ontario Financing Authority

Notes to Financial Statements for the Year Ended March 31, 2002

(all tables are in thousands of dollars)

Background

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA's objects are:

- to assist public bodies and the Province of Ontario to borrow and invest money;
- to develop and carry out financing programs, issue securities, and manage cash, currency and other financial risks on behalf of the Province, or any public body;
- to provide such other financial services as are considered advantageous to the Province or any public body;
- to operate offices as provided under the *Province of Ontario Savings Office Act*, as agent for the Minister of Finance; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* of Canada.

1. Significant Accounting Policies

(i) **General:** The financial statements are prepared in accordance with Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants.

(ii) **Capital assets:** Capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset as listed below, starting in the year of acquisition i.e., half year depreciation is charged in the year of acquisition and half year in the year of disposal, irrespective of the date of acquisition or disposal.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	remaining life of lease

2. Province of Ontario Savings Office

The OFA operates the Province of Ontario Savings Office (POSO) as agent of the Minister of Finance. POSO accepts deposits from the general public, government and other public bodies that form part of the Consolidated Revenue Fund and are direct liabilities of the Province. In the May 9, 2001 Budget, the Minister of Finance announced that the Government would be seeking a buyer for the Province of Ontario Savings Office (POSO). POSO's sale is overseen by the Ontario SuperBuild Corporation.

Administration costs for the period ended March 31, 2002 of $1,100,526 (March 31, 2001 - $992,066) relating to POSO are provided by the Ministry of Finance and are not included in these financial statements. The average rate of interest paid to depositors and earned from the Province for the year ended March 31, 2002 was 3.40 per cent and 4.06 per cent respectively (March 31, 2001 was 4.25 per cent and 5.08 per cent respectively). These deposits are comprised as follows:

Summary of funds on deposit by general public and government agencies

	As at March 31, 2002			As at March 31, 2001		
	General Public	Government Agencies	Total	General Public	Government Agencies	Total
Short-term deposits	$ 158.196	123,000	$ 281.196	$ 83,911	117,000	$ 200.911
Demand deposits	1,042,250	175,513	1,217,763	1,044,268	89,490	1,133,758
GICs maturing within one year	561,906	-	561,906	756,825	-	756,825
Total short-term funds	$ 1,762,352	298,513	$2,060,865	$ 1,885,004	206,490	$ 2,091,494
Long-term funds	497,058	-	497,058	446,194	-	446,194
Total funds on deposit	$ 2,259,410	298,513	$2,557,923	$ 2,331,198	206,490	$ 2,537,688

Ontario Financing Authority

Notes to Financial Statements

(i) Receivable from the Province of Ontario and short-term funds on deposit

The total current 'Receivable from the Province' of $2,108,550 (March 31, 2001 - $2,139,691) includes short-term funds on deposit plus working capital.

(ii) Receivable from the Province of Ontario and long-term funds on deposit

The long-term 'Receivable from the Province' represents deposits for which POSO has issued long-term GICs. These deposits mature as follows:

	As at March 31, 2002		As at March 31, 2001	
Year ended March 31	Principal Maturing	Effective Average Interest Rate (%)	Principal Maturing	Effective Average Interest Rate (%)
2003	$ —		$ 212,708	5.65
2004	173,718	4.72	87,599	5.53
2005	152,250	5.40	99,072	5.95
2006	62,461	5.57	46,815	5.92
2007	108,629	5.04	—	
Total	$ 497,058		$ 446,194	

3. Capital Assets

The balance of capital assets, net of amortization, is as follows:

	Cost	Accumulated Amortization	Net March 31, 2002	Net March 31, 2001
Furniture and equipment	$ 1,218	$ (1,120)	$ 98	$ 115
Computer hardware	6,242	(5,006)	1,236	1,475
Leasehold improvement	1,613	(1,214)	399	195
Total	$ 9,073	$ (7,340)	$ 1,733	$ 1,785

4. Ontario Municipal Improvement Corporation (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, the Ontario Municipal Improvement Corporation (OMIC) ceased to exist and its assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) and the Province, which OMIC used to make loans to municipalities and school boards under similar terms as its debt.

Ontario Financing Authority

Notes to Financial Statements

As of March 31, 2002, the portion of long-term debt maturing in 2002-03 is $9,000 (March 31, 2001 - $301,000 maturing in 2001-02) and is due to the Province. Long-term debt (maturing in the year ended March 31, 2004 and future) is comprised of debt due to the Province of $27,000 and to the Canada Pension Plan of $79 million (March 31, 2001 - $32,000 and $79 million respectively, maturing in year ended March 31, 2003 and future).
The terms of the outstanding debt are as follows:

	As at March 31, 2002		As at March 31, 2001	
Year ended March 31	Principal Maturing	Effective Average Interest Rate (%)	Principal Maturing	Effective Average Interest Rate (%)
2002	$ —		$ 301	13.95
2003	9	11.25	5	11.25
2004	5	11.25	5	11.25
2005	6	11.25	6	11.25
2006	6	11.25	6	11.25
2007	—		—	
1 - 5 years	$ 26		$ 323	
6 - 20 years	79,031	9.61	79,031	9.61
Total	$ 79,057		$ 79,354	

5. Transactions With the Province and Other Public Bodies

(i) **Financing activities between the Province and other Public Bodies:** Acting as a financial conduit for the Province, the OFA provides financing to various public bodies, the repayment of which is expected from third-party revenues. The funds for these loans are advanced to the OFA by the Province under a credit facility of $2.16 billion. Repayments received from public bodies by the OFA are forwarded to the Province. These transactions are not reflected in these financial statements.

In compliance with an Ontario Financing Authority Lending Policy adopted by its Board of Directors on December 17, 1997, each advance received by the OFA under the current facility bears interest at a rate that is equivalent to the rate of interest payable to the OFA on the corresponding loan to a public body(ies). As of March 31, 2002, $217 million (March 31, 2001 - $222 million), including accrued interest, was advanced by the Province to the OFA and must be repaid by the OFA on or before August 31, 2027.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements, consisting of a number of promissory notes for terms not exceeding one year. Interest is payable on the principal plus any capitalized interest. As of March 31, 2002, interest rates on these promissory notes ranged from 2.2 per cent to 2.4 per cent (March 31, 2001 from 4.50 per cent to 5.60 per cent). It is the OFA's intention to replace these promissory notes with term debt, at which point repayment terms will be finalized.

Prior to March 31, 2002, the original amounts of promissory notes converted into debentures were as follows: Ontario Northland Transportation Commission - $3.9 million at 5.64 per cent maturing April 1, 2008, $12.7 million at 6.37 per cent maturing August 1, 2014, $19 million at 5.6 per cent maturing December 1, 2014; City of Windsor - $26.4 million at 6.41 per cent maturing March 31, 2021.

The following represents amounts receivable by the OFA on behalf of the Province, including capitalized interest. These are related party transactions, with the exception of those with the City of Windsor.

Ontario Financing Authority

Notes to Financial Statements

	March 31, 2002	March 31, 2001
Metro Toronto Convention Centre	$ 158,086	$ 161,726
Ontario Northland Transportation Commission	31,133	32,977
Corporation of the City of Windsor	28,110	26,416
Centennial Centre of Science and Technology	-	608
	$ 217,329	$ 221,727

The Metro Toronto Convention Centre Corporation (MTCC) is a Crown agency of the Province under the *Metropolitan Toronto Convention Centre Corporation Act*. The majority of directors on the MTCC board are appointedby the Lieutenant Governor in Council.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. Members of the Commission are appointed by the Lieutenant Governor in Council.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of provincial division courthouse and city police headquarters.

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act*. Its Board of Trustees is appointed by the Lieutenant Governor in Council.

(ii) **Investing for Related Parties**: In the normal course of operations, the OFA provides investment management services to other public bodies. Funds managed on behalf of other public bodies (which are not reflected in these financial statements) as of March 31, 2002, consist of $257 million managed on behalf of the Northern Ontario Heritage Fund Corporation (March 31, 2001 - $224 million), $90 million managed on behalf of Ontario Trillium Foundation (March 31, 2001 - $101 million) and $20 million managed on behalf of Ontario Securities Commission (March 31, 2001 - $20 million). The OFA also manages debt on behalf of the Province and was reimbursed $11.7 million for the year ended March 31, 2002 for these activities (March 31, 2001 - $11.5 million).

(iii) **Province of Ontario Savings Office:** Other related parties have deposited their funds on a short-term basis. Total amounts deposited as at March 31, 2002 were $299 million (March 31, 2001 - $206 million).

6. Pension Plan

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan. This plan is accounted for as a defined contribution plan, as the OFA has insufficient information to apply defined benefit plan accounting to this pension plan.

The OFA's pension contributions for the period ended March 31, 2002 were $614,000 (March 31, 2001 - $733,000). The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the above figures.

7. Financial Instruments

The carrying amounts for cash, accounts receivable, receivable from the Province of Ontario, accounts payable and accrued liabilities and short-term funds on deposit approximate their fair values because of the short-term maturity of these instruments.

Ontario Financing Authority

Notes to Financial Statements

Given that the terms and amounts of the OFA's long-term receivables offset the OFA's long-term debt, providing fair values for these instruments would not add any more useful information to that which has already been presented in these financial statements.

8. Restatement of Comparative Figures

(i) **Capital assets - change in accounting policy:** During the year the OFA changed its accounting policy for amortization of assets. In prior years, amortization of assets began in the year following the year of acquisition. During the year, the OFA adopted the policy of "Partial Year Amortization" (Half Year Rule) whereby amortization is charged for half year in the year of acquisition and half year in the year of disposal, irrespective of the date of acquisition or disposal. The OFA has retroactively applied this policy and prior year figures have been restated. As a result of the change, the fiscal year 2000-01 capital assets, net income and retained earnings decreased by $135,000.

(ii) **Restatement for adjustment of receivable from the Province:** At the time of termination of loans-based financing in 1996, when most of the loans to capital corporations were written off, an adjustment to write off a receivable of $414,000 from the Province for profit earned due to spread on these on-lending activities by the OFA, should have been reflected in the same year. This correction has been adjusted on a retroactive basis. As a result, opening retained earnings at April 1, 2000 and receivable from the Province as at that date decreased by $414,000.

	2001		
	Previously Stated	**Change (Reduction)**	**Restated**
Receivables from the Province of Ontario	**$ 2,140,105**	**$ (414)**	**$ 2,139,691**
Capital Assets	**1,920**	**(135)**	**1,785**
Net Income for the year	**11,232**	**(135)**	**11,097**
Retained Earnings	**67,116**	**(549)**	**66,567**

9. Contingencies

The Province of Ontario Savings Office is from time to time involved in various legal proceedings arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

10. Comparative Figures

Certain of the 2000-01 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2001-02.

Ontario Financing Authority

Notes to Financial Statements

11. Salaries (absolute dollars)

The *Public Sector Salary Disclosure Act, 1996*, requires disclosure of Ontario Public-sector employees paid renumeration (e.g. salary, performance-based pay and severance) during the year in excess of $100,000. The amounts paid to such individuals in 2001 are as listed below.

Name	Position	Remuneration Paid	Taxable Benefits
Charles Allain	Director - Debt Management	$170,480	$ 315
Ken Broadbent	Manager - Foreign Exchange	$109,612	$ 221
José Ignacio Campos	Director - Risk Control	$131,499	$ 298
Kanak Chopra	Director - Risk Control (Previous)	$157,829	$ 269
James Devine	Manager - Medium-Term Notes & Private Placements	$151,943	$ 301
Andrew Hainsworth	Manager - Funding	$151,957	$ 301
John Logie	Manager - Financial Engineering	$111,782	$ 221
Michael Manning	Executive Director - Capital Markets	$227,786	$ 421
Gadi Mayman	Vice Chair & CEO (Interim), OFA	$275,688	$ 560
Christine Moszynski	Director - Capital Markets Treasury	$119,852	$ 263
David Peters	Manager - Derivatives	$151,957	$ 301
William Ralph	Director - Corporate Finance	$138,940	$ 289
Ken Russell	Legal Counsel	$157,081	$ 313
Tony Salerno	Vice Chair & CEO, OFA (Previous)	$634,642	$5,790
Corey Simpson	Legal Counsel	$173,583	$ 346

ONTARIO HOUSING CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Housing Corporation have been prepared in accordance with the accounting policies described in note 1 to the financial statements and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to April 12, 2002.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Toni Farley

Toni Farley
Acting General Manager

Office of the Provincial Auditor of Ontario

Auditor's Report

To the Ontario Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of Ontario Housing Corporation as at December 31, 2001 and the statement of operations and deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
April 12, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO HOUSING CORPORATION
Statement of Financial Position
As at December 31, 2001

	2001	2000
	(thousands of dollars)	
ASSETS		
Investments in Properties (note 3)	41,009	1,089,756
Amount due from Province of Ontario (note 4)	113,496	189,253
Loans and Accounts Receivable	-	32,103
	154,505	**1,311,112**
Non-Profit Housing Fund (note 5)	1,360,366	1,360,238
	1,514,871	**2,671,350**
LIABILITIES		
Accounts Payable and Accrued Liabilities	62,396	162,750
Current Portion of Long-Term Debt	26,962	24,667
Long-Term Debt (note 6)	1,027,164	944,649
	1,116,522	**1,132,066**
Non-Profit Housing Fund (note 5)	1,360,366	1,360,238
CONTINGENT LIABILITY (note 7)		
CONTRIBUTED SURPLUS (DEFICIT) (note 2)	(962,017)	179,046
	1,514,871	**2,671,350**

See accompanying notes to financial statements

On Behalf of the Board:

Director

Director

ONTARIO HOUSING CORPORATION
Statement of Operations and Deficit
For the Year Ended December 31, 2001

	2001 (thousands of dollars)
Revenues:	
Subsidies from Province:	
- OHC Operations	103,279
- Interest Differential in Non-Profit Housing Fund (note 5)	16,888
Interest Received from Student Housing and Charles Street Investments	3,372
Total Revenues	**123,539**
Expenses:	
Debenture Interest:	
- Devolved Properties	68,504
- Student Housing and Charles Street Properties	3,372
Interest Differential in Non-Profit Housing (note 5)	16,888
Property Management System Implementation	5,100
Administrative and Bursary	628
Total Expenses	**94,492**
Excess of Revenues over Expenses (required to make principal repayments on debentures)	29,047
Gain on Sale of Property (note 8)	12,189
Excess of revenues over expenses	**41,236**
Contributed Surplus (Deficit) after Devolution, January 1 (note 2)	(990,702)
Return of Capital to Province (note 8)	(12,551)
Contributed Surplus (Deficit), December 31	**(962,017)**

See accompanying notes to financial statements

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2001

NATURE OF OPERATIONS

The Ontario Housing Corporation is an agency of the Ministry of Municipal Affairs and Housing and is continued under the *Ontario Housing Corporation Act* R.S.O. 1990 c.0.21.

Until December 31, 2000 the Corporation was the largest landlord in Ontario, owning approximately 84,000 public housing units. Under the *Social Housing Reform Act 2000* (SHRA), ownership of the public housing units was transferred, effective January 1, 2001, to Local Housing Corporations (LHCs) which are controlled by Municipal Services Managers. The *SHRA* required that the assets be transferred to the LHCs for no consideration, which resulted in a loss to the Corporation.

The LHCs also assumed responsibility for administering the rent supplement program.

The Corporation retained its Investment in Student Housing on Leased Land and certain other assets. It also retained responsibility for administering the Corporation's debts, the Non-Profit Housing Fund, and contingent liabilities. The Corporation's debt service payments and other expenses are recovered from the Ministry of Municipal Affairs and Housing, in the form of subsidies.

With effect from January 1, 2001, the Ministry of Municipal Affairs and Housing assumed responsibility for the administration of the Rural and Native Housing program from the Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Given the significant change in the Corporation's role and operations, with the respect to the delivery of social housing programs, they are prepared on a basis that reflects the ongoing provincial subsidies required primarily to service the federal and provincial debt related to the public housing assets that were transferred to the Local Housing Corporations (LHCs). Significant accounting policies followed by the Corporation are summarized below:

i. Subsidies from the province are accounted for as revenue, and revenue is recognized when expenses are incurred.

ii. The loss on the transfer of public housing units and other assets to LHCs and the Ministry was charged to Contributed Surplus. The resulting Deficit will be reduced each year by an amount equal to the portion of the subsidy from the province required to cover principal payments on the Corporation's long-term debt.

iii. The Corporation's Investments in Properties are amortized on the same basis as the corresponding long-term debt.

iv. A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

2. DEFICIT AFTER DEVOLUTION

Effective January 1, 2001,ownership of most of the Corporation's investments in properties was transferred, for no consideration, to Local Housing Corporations. Certain other assets were transferred, for no consideration, to the Ministry of Municipal Affairs and Housing. These transfers created a loss that was charged directly to Contributed Surplus, as summarized in the following table.

	(thousands of dollars)
Contributed Surplus before Devolution, December 31, 2000	179,046
Net Assets Transferred to Local Housing Corporations	(986,501)
Reclassification of Contributed Surplus to Loans Repayable to Province	(115,089)
Assets Transferred to Ministry	(68,158)
Deficit after Devolution, January 1, 2001	(990,702)

3. INVESTMENTS IN PROPERTIES

The Corporation's investment in properties is as follows:

	2001	2000
	(thousands of dollars)	
(a) Student Housing on Leased Land	38,726	46,186
(b) Provincial Housing	2,283	1,002,933
(c) Other	-	40,637
	41,009	1,089,756

(a) Student Housing On Leased Land

This investment represents building costs for student accommodation on land leased from eight universities and colleges and is amortized on the same basis as the Corporation's corresponding long-term debt. The educational institutions make semi-annual payments to the Corporation equal to the debt service payments. When the debt is fully repaid, titles to the properties will be transferred to the respective institutions.

	2001	2000

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2001

	(thousands of dollars)	
Cost	53,419	61,372
Less: Accumulated Amortization	14,693	15,186
	38,726	46,186

(b) Provincial Housing

All properties were transferred to municipal LHCs in 2001 except two housing properties for which certain financial and legal issues had not been resolved as at December 31, 2001. These properties are being amortized on the same basis as the Corporation's corresponding long-term debt.

	2001	2000
	(thousands of dollars)	
Cost	2,366	1,317,684
Less: Accumulated Amortization	83	314,751
Net Book Value	2,283	1,002,933

4. AMOUNT DUE FROM THE PROVINCE OF ONTARIO

The balance represents the Corporation's working capital including a year end accrual that reflects any difference between the transfer payment received from the Ministry of Municipal Affairs & Housing and the Corporation's expenditures (expenses plus principal repayments). It is the intent of the Corporation to return most of these funds to the Ministry in fiscal year 2002 as, with the devolution of the assisted housing operations, they are no longer required.

5. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures - weighted average rate of 10.3%.

The majority of the CPP funds were initially loaned to non-profit housing corporations, however, during the 1993-2000 period these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province.

As of December 31, 2001 the Fund consisted of:

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2001

	2001	2000
	(thousands of dollars)	
Assets		
Cash	3,743	3,615
Loans to Province of Ontario	1,157,212	1,157,212
Mortgages to Universities and Colleges	166,128	166,128
Interest Receivable	33,283	33,283
	1,360,366	1,360,238
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund	1,323,340	1,323,340
Interest Payable	33,283	33,283
Fund Balance	3,743	3,615
	1,360,366	1,360,238

The interest rates on the mortgages to universities and colleges are the same as those payable on the corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and thus the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry of Municipal Affairs and Housing to cover the shortfall.

Details of the transactions related to the fund balance are as follows:

	2001	2000
	(thousands of dollars)	
Balance – Beginning of Year	3,615	3,341
Interest Earned on Loans and Mortgages	119,217	119,363
Interest Differential Subsidy from the Ministry of Municipal Affairs and Housing	16,888	16,888
Interest Paid on CPP Debentures	(135,977)	(135,977)
Balance – End of Year	3,743	3,615

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2001

6. LONG TERM DEBT

Long term debt is comprised of the following:

	2001	2000
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	943,687	952,992
Loans Repayable to Province	110,439	-
Private Sector Financing	-	16,324
	1,054,126	969,316
Less: Current Portion	26,962	24,667
	1,027,164	944,649

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province of Ontario to finance investments in real property – now devolved to Local Housing Corporations. The capital funds provided by the Province, which had previously been included in Contributed Surplus, have been reclassified as Loans Repayable to Province, with interest and principal payments being made to the Minister of Finance. The interest expense is included in the Statement of Operations and Deficit and is off-set by the subsidy from the Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to Province is payable at various rates based on individual agreements – the weighted average rates are 6.9% and 7.2% respectively (2000 – 6.9% on CMHC debt). Interest payments for the year ended December 31, 2001 totaled $71.9 million, $8.2 million of which was paid to the Province.

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
		thousands of dollars	
2002	91,712	11,439	103,151
2003	91,712	11,439	103,151
2004	91,662	11,423	103,085
2005	91,628	11,414	103,042
2006	91,531	11,382	102,913

7. CONTINGENT LIABILITY

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environment liabilities, incurred as a result of loan defaults on projects funded by the Province. The Ministry of Municipal Affairs and Housing will reimburse any costs incurred by the Corporation.

As of December 31, 2001, there were $5.2 billion of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

8. GAIN ON SALE OF PROPERTY

In September 2001, the Corporation sold its Charles Street property to the University of Toronto for $20.4 million, resulting in a gain of $12.2 million. This gain was included in the return of capital to the Province of $12.6 million.

9. DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of these financial instruments, as explained below, are based on relevant market prices and information available at December 31, 2001. The fair value estimates are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of amounts due from the Province of Ontario, and accounts payable and accrued liabilities approximate their carrying values because of the short-term maturity of these instruments.

The fair value of the CMHC debentures is based on the future cash flows associated with each instrument discounted using an interest rate based on debt instruments with similar characteristics. At December 31, 2001, the aggregate fair value of the CMHC debentures was more than their aggregate book values by $43.6 million (2000 - $67.6 million).

10. COMPARATIVE FIGURES

The significant change in the Corporation's role and operations, with the respect to the delivery of social housing programs, necessitated substantial changes in the presentation of the Corporation's operating results. Consequently, comparative figures have not been presented in the Statement of Operations and Deficit because year-to-year comparisons would not be meaningful. Also, certain comparative figures in the Statement of Financial Position have been restated to conform to the current year's presentation.

summer's here
ontario place

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Responsibility for Financial Reporting

The management of Ontario Place Corporation is responsible for the integrity and fair presentation of the financial statements accompanying this report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The Corporation maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by the Provincial Auditor, whose responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

Tom Chrzan
General Manager (Interim)

Office of the Provincial Auditor of Ontario

AUDI ALTERAM PARTEM

Auditor's Report

To Ontario Place Corporation
and to the Minister of Tourism and Recreation

I have audited the balance sheet of Ontario Place Corporation as at December 31, 2001 and the statements of operations and equity, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 28, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO PLACE CORPORATION

Balance Sheet
As at December 31, 2001

	2001 ($000s)	2000 ($000s)
ASSETS		
Current		
Cash	986	940
Accounts receivable	958	662
Due from the Province of Ontario	172	1,943
Inventory	5	159
Prepaid expenses	62	250
	2,183	3,954
Capital Assets (Note 3)	114,395	113,660
	116,578	117,614
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,447	3,384
Deferred income	344	46
	1,791	3,430
Deferred Capital Contributions (Note 4)	11,858	10,399
Unspent Deferred Capital Contributions (Note 4)	677	1,433
	12,535	11,832
Equity		
Invested in capital assets	102,537	103,261
Deficit	(285)	(909)
	102,252	102,352
	116,578	117,614

Commitments (Note 6)

See accompanying schedules and notes to financial statements.

Approved on behalf of the Corporation.

Director

Director

ONTARIO PLACE CORPORATION

Statement of Operations and Equity
For the Year Ended December 31, 2001

	2001 ($000s)	2000 ($000s)
Operating revenue (Schedule 1)	11,919	12,658
Administrative and operating expenses (Schedule 2)	15,067	16,537
Operating deficit before the following	(3,148)	(3,879)
Province of Ontario operating grants	2,960	4,915
Amortization of deferred capital contributions	1,598	1,504
Amortization of capital assets	(2,322)	(2,357)
Refund of prior years property taxes (Note 7)	812	—
	3,048	4,062
Termination of Licence Agreement (Note 8)	—	(1,880)
Net loss for the year	(100)	(1,697)
Equity, beginning of year	102,352	104,049
Equity, end of year	102,252	102,352

ONTARIO PLACE CORPORATION

Statement of Changes in Equity
For the Year Ended December 31, 2001

	2001 ($000s)			2000 ($000s)
	Invested in Capital Assets	Retained Income (Deficit)	Total	Total
Balance, beginning of year	103,261	(909)	102,352	104,049
Net income	(724)	624	(100)	(1,697)
Investment in capital assets	—	—	—	—
Balance, end of year	102,537	(285)	102,252	102,352

See accompanying schedules and notes to financial statements.

ONTARIO PLACE CORPORATION

Statement of Cash Flows
For the Year Ended December 31, 2001

	2001 ($000s)	2000 ($000s)
Operating Activities		
Net loss for the year	(100)	(1,697)
Adjustments against net income not requiring an outlay of cash		
▪ Amortization of capital assets	2,322	2,357
▪ Amortization of deferred capital contributions	(1,598)	(1,504)
Net change in non-cash working capital	178	364
Cash generated in (used in) operating activities	802	(480)
Investing Activities		
Capital asset acquisitions	(3,057)	(1,797)
Cash used in investing activities	(3,057)	(1,797)
Financing Activities		
Capital grants received	2,301	2,930
	2,301	2,930
Increase in cash during the year	46	653
Cash, beginning of year	940	287
Cash, end of year	986	940

See accompanying schedules and notes to financial statements.

ONTARIO PLACE CORPORATION

Schedules of Operating Revenue and Administrative and Operating Expenses
For the Year Ended December 31, 2001

	2001 ($000s)	2000 ($000s)
Schedule 1		
Operating Revenue		
Admissions	5,650	6,797
Parking	1,599	1,551
Concessions and catering	1,482	1,030
Marina	754	705
Cinesphere revenues	742	818
Sponsorship revenue	621	644
Attractions	253	228
Interest income	58	115
Ampitheatre	510	539
Other revenue	250	231
	11,919	12,658

	2001 ($000s)	2000 ($000s)
Schedule 2		
Administrative and Operating Expenses		
Salaries and wages	6,064	5,951
Employee benefits (Note 5)	770	836
Advertising	1,757	2,198
Programming and entertainment	1,800	2,258
Site maintenance	1,444	1,103
General and administration	535	1,002
Supplies	606	808
Utilities	944	784
Janitorial	435	525
Sponsorship	20	20
Transportation and communication	336	318
Professional consulting	202	100
Other	154	634
	15,067	16,537

See accompanying notes to financial statements.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
December 31, 2001

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1. NATURE OF OPERATION

Ontario Place Corporation, (the "Corporation" or "Ontario Place") a provincial Crown agency, operates a park built on a 96-acre site extending through three islands created using landfill along the Toronto waterfront. The park includes a wide variety of programs, attractions and facilities which capture the spirit of Ontario by featuring distinctive and quality attractions for all ages. The site is intended to provide visitors with an appreciation of the Province's resources and accomplishments.

The fees charged for admission and the various attractions within the park are subject to approval by the Province of Ontario (the "Province"). The Province also provides grants to partially cover the costs of activities, programs and rejuvenation of the park.

In addition to the various attractions and activities operated directly by Ontario Place, the Corporation entered into a number of licence, ground lease and special event agreements with various private-sector companies for the 2001 season.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles.

(b) Inventory

Supplies inventory is valued at cost.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Buildings	25 years
Attractions	10 years
Equipment, fixtures	10 years
Computer equipment	4 years
Vehicles	3 years

(d) Revenues

Under the Park's Play All Day Admission Policy, most of the related revenue is allocated to Admissions with the exception of a small portion allocated to certain attractions.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
December 31, 2001

3. CAPITAL ASSETS

Capital assets consists of the following:

	2001			2000
	Cost ($000s)	Accumulated Amortization ($000s)	Net Book Value ($000s)	Net Book Value ($000s)
Land, waterlots	101,660	—	101,660	101,660
Buildings	6,536	1,789	4,747	4,049
Attractions	10,849	7,029	3,820	3,838
Equipment, Fixtures	12,844	8,954	3,890	4,080
Computer Equipment	535	257	278	33
Vehicles	149	149	—	—
	132,573	18,178	114,395	113,660

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of restricted grants received for the purchase of depreciable capital assets. Purchased assets have been capitalized and the corresponding grant has been deferred and will be amortized into income on the same basis that the assets are amortized. The changes in the deferred capital contributions balance are as follows:

	2001 ($000s)	2000 ($000s)
Balance, beginning of year	11,832	10,406
Amount amortized to revenue	(1,598)	(1,504)
Capital grants received	2,301	2,930
Balance, end of year	12,535	11,832

5. PENSION PLAN

The Corporation provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multiemployer plans established by the Province of Ontario. These plans are accounted for as defined contributions plans as the Corporation has insufficient information to apply defined benefit accounting to these pension plans. Accordingly, the Corporation's share of contribution related to the PSPF and OPSEU pension funds for the year was $80,548 (2000 – $166,130) and is included in employee benefits in the Schedule of Administrative and Operating Expenses.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
December 31, 2001

6. LEASE COMMITMENTS

Minimum lease payments for equipment rental and licence fees are $115,713 for 2002 and $116,730 for 2003.

7. PROPERTY TAXES

The Corporation believes, and has received a legal opinion stating that it has no legal obligation to pay grants in lieu of property taxes relating to Ontario Place. As a result, in fiscal 1996/97, the Board of Directors of the Corporation passed a resolution declaring that, commencing with the 1996 taxation year, the Corporation will not make any payment or record any charges for property taxes or grants in lieu of property taxes with respect to those portions of Ontario Place property not occupied by tenants. The Corporation advised the then Ministry of Economic Development, Trade and Tourism, and the Ministry of Municipal Affairs and Housing of the Board's decision. However, the province continued to pay the grants in lieu of property taxes on behalf of Ontario Place.

During the year, the Corporation received a refund from the City of Toronto of previously paid grants in lieu of property taxes of $812,650 for taxation years prior to 1998. This amount was taken into revenue in the 2001 fiscal year.

During the year, the Corporation paid property taxes of $429,028 (2000 – $862,150) for premises occupied by concessionaires. The Corporation charged back $419,224 (2000 – $517,435) to these concessionaires. Subsequent to year-end, the Corporation received a property tax refund of $466,782 relating to the property taxes previously paid and billed to concessionaires. This amount is included in accounts receivable and in accounts payable and accrued liabilities at year-end.

8. TERMINATION OF LICENCE AGREEMENT

During 2000, a concessionaire exercised its option to terminate its agreement with the Corporation for operating the majority of the Corporation's food outlets. As a result of this termination, the Corporation was required to purchase the concessionaire's assets related to its food service operations at Ontario Place, at the depreciated cost of the assets. The accounting for this transaction is as follows:

	$
Payment to Concessionaire	2,300,000
Proceeds from sale of assets required	(120,000)
Fair market value of assets retained and used in ongoing operations	(300,000)
Write down of concession assets deemed to have minimal value	1,800,000

As a result of the termination, the Corporation received an additional operating grant of $2,316,000 from the Province of Ontario after year-end to cover the total cost of the termination. The grant is included in operating grants on the statement of operations and equity, and due from the Province of Ontario on the balance sheet, as at December 31, 2000.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
December 31, 2001

9. COMPARATIVE FIGURES

The December 31, 2001 comparative figures have been reclassified where necessary to conform to the current year's presentation.

Ontario Place Corporation

Surname	Given Name	Position	Salary Paid	Taxable Benefits
HUTCHESON	LESLIE	General Manager	$124,654.61	$301.44

Ontario Realty Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 14, 2002.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function, managed by Management Board Secretariat, independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Peter Oakes	Linda Gregory
Chief Financial Officer & Treasurer	Vice President Finance & Controller
June 14, 2002	June 14, 2002

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2002 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 14, 2002

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

BALANCE SHEET

As at March 31	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	$ 13,101	$ 3,447
Prepaid expenses	690	24
Accounts receivable	8,593	10,997
Future recoveries from Management Board Secretariat (note 2)	2,500	9,435
	24,884	23,903
Capital assets (note 3)	756	435
	$ 25,640	$ 24,338
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 5,985	$ 8,189
Provision for severance costs (note 2)	2,500	9,435
Current portion of capital lease obligations (note 4b)	192	176
	8,677	17,800
Capital lease obligations (note 4b)	93	72
RETAINED EARNINGS	16,870	6,466
	$ 25,640	$ 24,338

See Notes to Financial Statements
On behalf of the Board:

Chair:

Director:

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year Ended March 31		2002		2001
REVENUES				
Management fees (note 6)	$	10,522	$	10,240
Expense reimbursement - in lieu of fees (note 6)		34,088		24,239
Direct recoverable costs (note 6)		4,339		10,948
Bank interest and other income		399		297
	$	49,348	$	45,724
EXPENDITURES				
Salaries and benefits	$	26,182	$	22,737
Direct operating expenditures		10,293		17,488
Administrative expenses (note 6)		1,710		1,686
Depreciation		739		785
Interest on capital lease obligations		20		13
		38,944		42,709
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS		10,404		3,015
Provision for severance costs (note 2)		935		4,032
Future recoveries from Management Board Secretariat (note 2)		(935)		(4,032)
NET OPERATING SURPLUS	$	10,404	$	3,015
RETAINED EARNINGS, BEGINNING OF YEAR		6,466		3,451
RETAINED EARNINGS, END OF YEAR	$	16,870	$	6,466

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF CASH FLOWS

Year Ended March 31	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating surplus	$ 10,404	$ 3,015
Adjustments for:		
Depreciation	739	785
Provision for severance costs	(935)	(4,032)
Future recoveries from Management Board Secretariat (note 2)	935	4,032
	11,143	3,800
Changes in non cash working capital		
Decrease (increase) in accounts receivable	2,404	(10,493)
Decrease (increase) in prepaid expenses	(666)	65
Increase (decrease) in accounts payable and accrued liabilities	(2,204)	2,050
	10,677	(4,578)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(788)	(267)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year (note 2)	(6,000)	(4,700)
Severance recoveries from Management Board Secretariat during year (note2)	6,000	4,700
Repayment of capital lease obligations	(235)	(380)
	(235)	(380)
Net increase (decrease) in cash	9,654	(5,225)
Cash, beginning of year	3,447	8,672
Cash, end of year	$ 13,101	$ 3,447

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(amounts in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2002

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 49.4 million rentable square feet, 41.3 million owned by the Province and 8.1 million leased from the private sector at locations across the Province. The Corporation does not hold title to the managed land and buildings and therefore the land and buildings are not reflected in these financial statements. Any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

ONTARIO REALTY CORPORATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. Capital assets are comprised of computer hardware & software and leasehold improvements and are amortized on a straight-line basis over three years and the term of the lease respectively.

c) Employee Benefit Plans

Until November 29, 2001 the Corporation provided pension benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi- employer defined benefit pension plans.

Effective November 30, 2001 amendments to the Capital Investment Plan Act 1993 stipulated ORC employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees's contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

ONTARIO REALTY CORPORATION

2. SEVERANCE COSTS

The severance provision provides for staff severance costs associated with the Corporation's re-organization and the contracting out of its facilities and land management services. These severance costs are funded by Management Board Secretariat ("MBS"). The changes in the severance provision are as follows:

March 31	2002	2001
Severance provision, beginning of year	$ 9,435	$ 18,167
Decrease provision	(935)	(4,032)
Severance expenditures	(6,000)	(4,700)
Severance provision, end of year	$ 2,500	$ 9,435

3. CAPITAL ASSETS

Capital assets consist of the following:

March 31	2002			2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	$ 1,500	$ 1,238	$ 262	$ 177
Computer hardware and software under capital lease	900	670	230	258
Leasehold improvements	528	264	264	-
	$ 2,928	$ 2,172	$ 756	$ 435

Capital assets were acquired at an aggregate cost of $1,060 (2001 - $895) of which $272 (2001 - $628) were acquired by means of capital leases. Cash payments of $788 (2001 - $267) were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

ONTARIO REALTY CORPORATION

4. LEASE COMMITMENTS

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space, vehicles and office equipment, the Corporation is committed to rental payments as follows:

For the year ending March 31		
2003	$	1,060
2004		103
2005		7
	$	1,170

b) Capital

The Corporation leases some of its computer equipment and vehicles. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2005 together with the balance of the capital lease obligations.

For the year ending March 31		
2003	$	192
2004		95
2005		11
Total minimum lease payments		298
Less: amount representing interest at 4.66%		13
Balance of obligation		285
Less: current portion		192
Long-term portion	$	93

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

ONTARIO REALTY CORPORATION

6. RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one capital reserve bank account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2002 the cash balances of the aggregated operating accounts and one capital reserve account were $23,210 (2001 - $38,646) and $119,551(2001 - $56,118) respectively.

The accounts receivable include $7,898 (2001 - $10,854) from MBS and other Ministries.

Administrative expenses include: accounting, human resources, audit, information and data processing, and communication services purchased from MBS.

The cost of post-retirement non-pension employee benefits were paid by MBS and are not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.
ORC's prime sources of revenue are:

a) Management Fees

Market-based fees, charged for services provided for Facility & Asset Management, and Project Management related to MBS owned assets.

b) Expense Reimbursement – In Lieu of Fees

Pending the implementation of a full fee structure and the completion of the transition, corporate costs incurred by ORC (third party leases, negotiation services, financial services, and audit, legal, corporate relations/communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries and staff severance costs associated with ORC's transition from the OPS and the implementation of alternative services delivery initiatives.

c) Direct Recoverable Costs

In the North and East regions ORC staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MBS and funded from the operating and maintenance rental payments under accommodation agreements.

7. PENSION PLANS

The Corporation's required contributions related to the pension plans for the year ended March 31, 2002 were $675 (2001 - $757) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

ONTARIO REALTY CORPORATION

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

9 SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Corporation, this disclosure for the 2001 calendar year is as follows:

Name	Position	Salary Paid	Taxable Benefits
Budd, Robert	VP, Real Estate Marketing	$ 130,599	$ 233
Farrugia, MaryLee	Exec. VP & General Counsel	159,994	706
Gregory, Linda	Chief Financial Officer & Treasurer	145,026	295
Hard, William	VP, Controller	117,712	224
Harney, James	Facility Manager, North Bay-Timmins	112,499	149
Kessel, Clive	VP, Special Projects	107,888	253
Labelle, Hubert	VP, Facility Services, Northern Region	137,957	226
Leroux, Peter	Exec. Vice President Facility Services	160,899	715
Massiah, Erwin	VP, Facility Services, GTA Region	127,972	232
Mazzotta, Angela	VP, Facility Support Services	132,270	238
Miele, Tony	Chief Executive Officer and President	242,328	409
Plamondon, Daniel	VP, Project Management	130,084	242
Robinson, Lori	VP, Asset Planning	101,404	226
Searchfield, Bradley	Exec. VP, Real Estate & Sales	141,860	688
Slater, Peter	Structural Engineer	153,637	252
Van Vliet, John	VP, Facility Services, SW Region	115,306	226
Watkins, Reg	Senior Project Manager	107,632	212

ONTARIO SECURITIES COMMISSION

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the integrity of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Ontario Securities Commission is committed to full and open disclosure of its operations and maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The preparation of financial statements involves the use of estimates based on management's judgement on transactions which will conclude in future periods.

The Board of Directors ensures that management fulfills its responsibility for financial information and internal control. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The Provincial Auditor's Report, which follows, outlines the scope of the Auditor's examination and opinion.

David A. Brown, Q.C.
Chair and Chief Executive Officer

May 10, 2002

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of Ontario

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de l'Ontario

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Auditor's Report

To the Ontario Securities Commission

I have audited the balance sheet of the Ontario Securities Commission as at March 31, 2002 and the statements of operations and operating surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario

Erik
Peters, FCA

May 10, 2002

Provincial Auditor

ONTARIO SECURITIES COMMISSION

Balance Sheet

As at March 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash	$ 14,854,685	$ 17,639,973
Accounts receivable	1,004,234	1,528,098
Prepaid expenses	422,252	293,781
	16,281,171	19,461,852
DESIGNATED SETTLEMENTS (Note 8)	130,879	1,544,975
RESERVE FUND ASSETS (Note 3)	32,000,000	20,000,000
CAPITAL ASSETS (Note 5)	7,876,910	9,760,851
	$ 56,288,960	$ 50,767,678
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 8,255,930	$ 10,793,134
Due to Province of Ontario (Note 10(a))	5,897,948	6,806,276
Current portion of obligation under capital leases (Note 6(b))	-	28,629
	14,153,878	17,628,039
NON-CURRENT		
Other long term liabilities (Note 7(b))	530,795	236,254
	14,684,673	17,864,293
DESIGNATED SETTLEMENTS (Note 8)	130,879	1,544,975
SURPLUS		
OPERATING		
General	9,375,164	11,260,166
Reserve (Note 3)	32,000,000	20,000,000
	41,375,164	31,260,166
CONTRIBUTED	98,244	98,244
	41,473,408	31,358,410
	$ 56,288,960	$ 50,767,678

Investor Education Fund (Note 9)

Committments and Contingencies (Note 4)

See accompanying notes to Financial Statements.

ON BEHALF OF THE COMMISSION

David A. Brown, Q.C.
Chair

Robert W. Davis, FCA
Commissioner

Ontario Securities Commission
Statement of Operations and Operating Surplus

For the Twelve Months Ended March 31, 2002

	2002	2001
REVENUE		
Fees		
Prospectus filings	$ 43,539,952	$ 48,702,389
Registration	27,617,369	22,321,623
Disclosure filings	6,099,801	8,978,603
Applications for exemptive relief	971,482	1,180,332
Miscellaneous	113,976	164,302
Investment income	1,551,722	2,048,910
	79,894,302	83,396,159
EXPENSES		
Salaries and benefits (Note 7)	34,032,191	29,847,347
Administrative	4,873,075	4,126,609
Professional services (Note 2b)	3,345,009	5,229,376
Amortization	3,277,968	3,035,706
Occupancy (Note 6(a))	3,185,354	3,050,543
Other	1,035,442	1,053,844
	49,749,039	46,343,425
EXCESS OF REVENUE OVER EXPENSES	30,145,263	37,052,734
OPERATING SURPLUS, BEGINNING OF PERIOD	31,260,166	26,374,609
LESS: Distributions to Province of Ontario (Note 10(a))	20,030,265	32,167,177
OPERATING SURPLUS, END OF PERIOD	$ 41,375,164	$ 31,260,166
Represented by:		
General	$ 9,375,164	$ 11,260,166
Reserve	32,000,000	20,000,000
	$ 41,375,164	$ 31,260,166

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Statement of Cash Flows

For the Twelve Months Ended March 31, 2002

	2002	2001
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess of revenue over expenses	$ 30,145,263	$ 37,052,734
Adjustments for amortization	3,277,968	3,035,706
	33,423,231	40,088,440
Changes in non-cash working capital:		
Accounts receivable	523,864	(1,068,281)
Prepaid expenses	(128,471)	(102,358)
Due to Province of Ontario	(908,328)	6,496,592
Accounts payable and accrued liabilities	(2,537,204)	776,455
Other long term obligations	294,541	236,254
	(2,755,598)	6,338,662
	30,667,633	46,427,102
Cash flows from financing activities		
Distributions to Province of Ontario	(20,030,265)	(32,167,177)
Obligation under capital leases	(28,629)	(174,713)
	(20,058,894)	(32,341,890)
Cash flows from investing activities		
Reserve fund assets	(12,000,000)	(5,000,000)
Purchase of capital assets	(1,394,027)	(5,378,146)
	(13,394,027)	(10,378,146)
NET INCREASE (DECREASE) IN CASH POSITION	(2,785,288)	3,707,066
CASH POSITION, BEGINNING OF PERIOD	17,639,973	13,932,907
CASH POSITION, END OF PERIOD	$ 14,854,685	$ 17,639,973

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

1. NATURE OF THE CORPORATION

Effective November 1, 1997, amendments to the *Securities Act* continued the Ontario Securities Commission (the "Commission") as a corporation without share capital. The Commission functions as an independent regulatory agency and administrative tribunal responsible for overseeing the securities industry in Ontario. As a Crown corporation, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	2 years
Computer equipment under capital leases	2 years
Leasehold improvements	over term of lease

b) Revenue

Fees are recognized when earned which is normally upon receipt. The amount of revenue to be realized from prospectus filing fees is uncertain. Fees are paid based on estimated prospectus proceeds and refunds are issued, as required, based on actual proceeds in Ontario. As a result, revenue from prospectus filings is recognized net of a provision for expected refunds. At the beginning of each fiscal year the Commission establishes a percentage for the provision for expected refunds based on the experience of the previous three years. The provision is adjusted at year end. Disclosure filing fees are recognized upon receipt of filing.

Recovery of costs of investigations is netted against professional services upon date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

d) Employee Benefit Plans

Commencing April 1, 2000, the Commission prospectively applied the new accounting recommendations for employee future benefits as referred to in Note 7.

The Commission provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multiemployer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit plan accounting to this pension plan.

The Commission also maintains supplementary unfunded pension plans for certain full-time members. The Commission accrues its obligations and the related costs under these supplemental unfunded pension plans. The transitional obligation is being amortized over the average remaining service period of active members expected to receive benefits under these plans. For purposes of valuation, the actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions.

3. RESERVE

As part of the approval of its self-funded status, the Commission was allowed to establish a $20.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures. The accumulated funds, at March 31, 2002, have been invested in short-term and mid-term instruments with the Ontario Financing Authority.

For the period ending March 31, 2002, in calculating its remittance to the Province as described in Note 10, the Commission received approval from the Ministry of Finance to retain $12.0 million, which may only be used toward implementation costs of the proposed merger with the Financial Services Commission of Ontario as described in Note 11, and are subject to appropriate terms and conditions agreed with the Ministry of Finance, including:

i) The monies will be paid to the Consolidated Revenue Fund, in part or in full, if not required to fund the costs of the merger; and
ii) While retained by the Commission, the monies will be invested with the Ontario Financing Authority.

Investments are carried at cost, which approximates market value. The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments are credited to the operations of the Commission.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

4. COMMITMENTS AND CONTINGENCIES

a) The Commission has guaranteed 61% of a total $12.0 million line of credit from a Canadian bank for the Mutual Fund Dealers Association of Canada (MFDA). The guarantee was signed March 19, 1999 and can be terminated by the Commission at any time. The Alberta Securities Commission and the British Columbia Securities Commission have also guaranteed a specified percentage of the total indebtedness. The MFDA has signed an agreement which requires it to use the funds only in accordance with the budget and business plan as approved by each of the Commissions, and also commits the MFDA to repay its loan by the end of the seventh year. As at March 31, 2002, the MFDA has drawn $8,913,000 (2001 - $7,923,000) on this line of credit. Interest is charged at prime plus 0.50% per annum.

b) The Commission is involved in various legal actions arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Office furniture	$2,510,172	$ 807,784	$ 1,702,388	$ 2,144,349
Office equipment	278,858	75,788	203,070	249,684
Computer hardware and related applications	7,038,590	4,686,750	2,351,840	2,685,737
Computer equipment under capital leases	831,725	831,725	-	-
Leasehold improvements	5,194,025	1,574,413	3,619,612	4,681,081
	$ 15,853,370	$ 7,976,460	$ 7,876,910	$ 9,760,851

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

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6. LEASE OBLIGATIONS

a) Operating

The Commission is committed to operating lease payments for the next 5 years as follows:

2003	$3,282,673
2004	$3,211,018
2005	$3,184,760
2006	$1,336,601
2007	$ 9,721

b) Capital

All capital leases expired on or before December 31, 2001. As at March 31, 2002, total obligation under capital leases amounted to $0 (2001 - $28,629). Interest owing on capital leases amounts to $0 (2001 - $711).

7. PENSION PLANS

a) The Commission's contribution to the Public Service Pension Plan for the year ended March 31, 2002 was $900,885 (2001 - $1,004,031) and is included in salaries and benefits.

b) The unfunded supplemental pension plans had an accrued benefit obligation of $606,181 at March 31, 2002 (2001 - $408,445). The Commission's related expense for the year was $294,541 (2001 - $236,254) and is included in salaries and benefits. No benefits were paid during the year (2001 - $0). The average remaining service period of the active employees covered by these plans ranges from 1.92 to 4.85 years (2001 - 2.92 to 3.78 years).

The significant actuarial assumptions adopted at March 31, 2002 and March 31, 2001 are:

Discount rate	6.75%
Rate of Compensation Increase	0.0%

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

8. DESIGNATED SETTLEMENTS

The Commission has reached a number of settlement agreements arising from enforcement proceedings where monies from these settlements are received or receivable by the Commission to be set aside and allocated to such third parties as the Commission may determine. The accumulated funds are held in a segregated bank account. As at March 31, 2002, the accumulated balance is determined as follows:

	2002	**2001**
Opening balance	$1,544,975	$1,445,692
Settlements	4,021,991	3,050,000
Interest	40,888	170,977
Payments		
Initiatives	-	(121,694)
Investor Education Fund - prior period	(1,544,975)	-
Investor Education Fund - Current period	(3,932,000)	(3,000,000)
Investor Education Fund - Total	(5,476,975)	(3,000,000)
Closing Balance	$130,879	$1,544,975
Represented by:		
Cash	$498	$1,528,157
Receivables	130,381	16,818
	$130,879	$1,544,975

The balance of $130,879 (2001 - $1,544,975) is due to the Investor Education Fund.

9. INVESTOR EDUCATION FUND

a) The Investor Education Fund (the Fund) was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is independently managed by its Board of Directors to support research and develop programs and partnerships which promote investor education. The Commission oversees the Fund as the sole voting member. The Fund is exempt from income taxes.

The Fund has not been consolidated in the Commission's financial statements because the Commission will neither obtain future economic benefits from the Fund, nor incur related risks. Financial statements of the Fund are available on request. Financial summaries of this unconsolidated entity as at March 31, 2002 and for the year ended March 31, 2002 are as follows:

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

INVESTOR EDUCATION FUND

	2002	2001
Financial Position		
Total assets	$8,365,439	$4,545,757
Total liabilities	$192,120	$89,038
Total Net assets	8,173,319	4,456,719
	$8,365,439	$4,545,757
Results of Operations		
Total contributions and interest income	$4,188,023	$4,545,757
Total expenses	471,423	89,038
Excess of revenue over expenses	$3,716,600	$4,456,719
Cash flows		
Cash flows from operating activities		
Cash receipts from the Ontario Securities Commission	$5,476,975	$3,000,000
Investment income received	118,371	-
Cash paid for initiatives and expenses	(368,341)	-
Net increase in cash position	5,227,005	3,000,000
Cash position, beginning of period	3,000,000	-
Cash position, end of period	$8,227,005	$3,000,000

b) In the normal course of operations, the Commission entered into transactions with the Fund as follows:

i) The Board of the Commission authorized a transfer of $4,062,879 (2001 - $4,544,975) of the Commission's Designated Settlements to the Fund. As at March 31, 2002, $130,879 (2001 - $1,544,975) remained to be paid.

ii) During fiscal 2001, the Commission entered into a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

For the period ended March 31, 2002, the Commission incurred costs totalling $181,776 (2001 - $89,038) for services related to the Fund. The total cost of these services have been charged back to the Fund and, of this amount, $141,257 is owing to the Commission as of March 31, 2002 (2001 - $89,038).

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2002

10. TRANSACTIONS WITH PROVINCE OF ONTARIO

In the course of normal operations, the Commission entered into transactions with the Province of Ontario as follows:

a) The *Securities Act* states that when ordered to do so by the Minister of Finance, the Commission shall remit to the Province of Ontario such surplus funds as determined by the Minister. In accordance with this provision, the Minister has requested the Commission to remit fee revenues which are in excess of its operating requirements. The Commission includes fixed asset funding in its operating requirements.

b) The Commission has a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 Bank.

c) Costs of post-retirement non-pension employee benefits have been paid by the Management Board Secretariat and are not included in the Statement of Operations and Operating Surplus.

11. ESTABLISHING A SINGLE FINANCIAL SERVICES REGULATOR

In the May 2, 2000 Budget, the Minister of Finance announced that the Ontario Securities Commission and the Financial Services Commission of Ontario would be merged into a single agency that would provide regulation of the capital markets and financial services sectors.

Legislation is required in order to create the proposed new organization and specify its regulatory responsibilities and powers. Draft legislation supporting this initiative was released for comment by the Ministry of Finance in April 2001.

12. COMPARATIVES

Certain of the comparative figures have been reclassified to conform to current presentation.

Ontario Securities Commission

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Surname	Given Name	Position	Salary Paid	Taxable Benefits
ALEXOPOULOS	TULA	Special Advisor to the Chair	$112,536.52	$170.00
BECK	JOAN	Senior Legal Counsel	$127,569.32	$454.60
BERTOIA	JULIE	Senior Accountant	$138,636.14	$4,119.32
BLUMBERGER	EREZ	Legal Counsel	$123,957.46	$500.59
BRIDGE	MARRIANNE	Manager, Compliance	$136,548.89	$282.14
BROWN	DAVID	Chair	$551,531.17	$9.841.84
BULNES	JAMIE	Investigation Counsel	$102,292.77	$162.81
BUREAUD	JEAN-PAUL	Legal Counsel	$111,208.18	$171.79
BUTLER	BRIAN	Manager, Investigations	$162,159.12	$620.49
BYRNES	ROBERT	Deputy Director, Information Technology	$154,418.85	$1.368.69
CARCHRAE	JOHN	Chief Accountant	$181,385.10	$260.97
CASIERO	VINCENT	Investigation Counsel	$109,061.54	$167.55
CHO	PETER	Senior Forensic Accountant	$123,969.51	$632.05
CLARKIN	BRIAN	Senior Forensic Accountant	$134,503.45	$201.52
CORBETT	HUGH	Litigation Counsel	$126,605.26	$293.53
COTTRELL	JOHN	Forensic Accountant	$108,930.02	$614.89
COWDERY	REBECCA	Manager, Investment Funds Regulatory Reform	$172,528.36	$259.25
DANIELS	KATHRYN	Litigation Counsel	$119,951.53	$338.71
DASIL	MERILYN	Senior Legal Counsel	$123,432.21	$200.26
DAY	ROBERT	Manager, Business Planning and Reporting	$123,414.56	$180.60
DE LINT	DIRK	Legal Counsel	$110,955.64	$236.25
DE VERTEUIL	MICHAEL	Senior Forensic Accountant	$128,735.99	$197.24
DEMPSEY	PAUL	Manager, Investment Funds	$151,844.49	$231.65
DILIETO	ROSSANA	Senior Legal Counsel	$113,825.38	$187.07
DOWDALL-LOGIE	MARGARET	Manager, Registrant Regulation	$152,872.62	$240.19
DOWLING	SANDRA	Senior Accountant	$140,454.40	$212.09
DUBLIN	JULIA	Senior Legal Counsel	$155,776.89	$689.51
DUNDAS	LINDA	Senior Derivatives Specialist	$125,422.57	$305.40
ENRIGHT	LISA	Senior Accountant	$105,774.16	$483.74
FALLONE	JOANNA	Manager, Case Assessment	$157,707.05	$241.84
FINLAY	KATHLEEN	Manager, Project Office	$118,393.30	$176.42
FORSTER	CHRISTINA	Assistant Manager, Compliance	$122,980.86	$567.88
GAZZARD	WILLIAM	Director, Capital Markets	$116,719.25	$156.45
GERHART	MARSHA	Senior Legal Counsel	$143,609.33	$336.80
GOLDBERG	RHONDA	Legal Counsel	$109,503.90	$169.25
GREENGLASS	SUSAN	Legal Counsel	$133,461.25	$212.69
GUNN	GEORGE	Manager, Surveillance	$108,972.31	$1.184.76
HELDMAN	SANDRA	Senior Accountant	$111,272.08	$125.47
HOLMES	JANET	Senior Legal Counsel	$120,214.84	$162.15
HUBLEY	MICHAEL	Assistant Manager, Investigations	$107,699.62	$1.066.84
HUGHES	JOHN	Manager, Continuous Disclosure	$149,457.98	$226.53
KENNEDY	MELISSA	Manager, Litigation	$156,312.07	$196.29
KOHL	ROBERT	Senior Legal Counsel	$152,886.35	$233.31
KOOR	ELLE	Manager, NRD Project	$143,340.41	$215.06
LEUNG	ANTOINETTE	Senior Accountant	$118,390.75	$171.37
LIU	WINFIELD	Senior Legal Counsel	$139,388.31	$681.05

Ontario Securities Commission

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Surname	Given Name	Position	Salary Paid	Taxable Benefits
LJUBIC	GREGORY	Senior Investigation Counsel	$149,673.73	$638.33
LO	YVONNE	Senior Forensic Accountant	$100,975.39	$148.69
MACFARLANE	CHARLES	Executive Director	$366,036.24	$7,726.57
MACLAREN	TANIS	Head-Office of International Affairs	$165,652.97	$251.66
MAINVILLE	CHANTAL	Legal Counsel	$110,733.65	$170.09
MARTIN-GORELLE	KRISTA	Senior Legal Counsel	$142,917.75	$218.46
MARTIN-SIDEY	DONNA	Legal Counsel	$140,588.49	$212.09
MCCALLUM	SUSAN	Senior Legal Counsel	$122,583.93	$187.87
MCCOMBE	DEBORAH	Geologist	$116,537.23	$522.88
MCGREGOR	MARK	Manager, Technology Services	$106,786.16	$699.98
MCKALL	DARREN	Legal Counsel	$102,505.27	$149.29
MCMANUS	MARK	Manager, Contact Centre	$106,849.12	$4,231.89
MOORE	PAUL	Vice Chair	$286,099.47	$7,107.15
MOORE	TERRY	Legal Counsel	$122,698.80	$431.89
MOSELEY	TIMOTHY	Manager, Litigation	$101,909.72	$123.15
NASTER	JAY	Special Counsel	$221,614.02	$239.66
NUNES	VERA	Legal Counsel	$107,127.07	$165.39
OSENI	SARAH	Legal Counsel	$114,639.87	$253.89
PARE	MAXIME	Senior Legal Counsel	$153,965.96	$655.58
PAUL	MARGO	Manager, Corporate Finance	$172,569.77	$246.12
PAVALOW	RANDEE	Director, Capital Markets	$167,914.66	$268.73
PETROFF	THOMAS	Senior Market Analyst	$102,949.16	$159.32
PILIPAVICIUS	RIMA	Senior Forensic Accountant	$123,149.83	$195.96
PILKEY	SCOTT	Senior Investigation Counsel	$143,934.20	$460.80
POWLEY	RANDALL	Chief Economist	$140,357.02	$223.20
RAMSAY	ANNE	Senior Accountant	$118,309.08	$182.77
SANKAR	LEVI	Investigation Counsel	$120,863.57	$184.09
SHAY	RALPH	Director, Take Over Bids	$134,551.47	$234.12
SMITH	IAN	Litigation Counsel	$149,911.32	$219.81
SODEN	KATHRYN	Director, Corporate Finance	$188,489.42	$434.25
SPENCER	MARY	Director, Corporate Services	$180,940.14	$273.32
STERN	TRACEY	Legal Counsel	$122,770.12	$177.27
STEVENSON	JOHN	Secretary to the Commission	$154,326.69	$236.28
STOW	NANCY	Executive Director, Investor Education Fund	$104,191.44	$158.85
SUPERINA	JOHANNA	Senior Litigation Counsel	$152,809.84	$224.90
SWITZER	FRANK	Director, Communications	$143,640.24	$234.13
TEDESCO	FELICIA	Assistant Manager, Compliance	$127,946.45	$634.10
TILLIE	MARCEL	Senior Accountant	$133,690.37	$427.55
TOO	BYRON	Manager, Application Services	$106,245.46	$161.44
TSATSOS	IRENE	Senior Accountant	$108,592.57	$167.51
VRANIC	IVA	Manager, Corporate Finance	$147,848.24	$697.87
WATSON	MICHAEL	Director, Enforcement	$219,410.08	$318.80
WELSH	DOUG	Legal Counsel	$100,324.72	$155.15
WETSTON	HOWARD	Vice Chair	$381,189.10	$7,766.30
WHILER	RICK	Senior Accountant	$136,359.92	$208.67
WOLBURGH-JENAH	SUSAN	General Counsel	$193,525.75	$279.15

Ontario Securities Commission

RECORD OF EMPLOYEES' 2001 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Surname	Given Name	Position	Salary Paid	Taxable Benefits
WOOTTON	KATE	Litigation Counsel	$120,027.90	$208.34

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act, 1*

This record has been approved by:

David Brown

(416) 593-8203

Phone Number

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.

APashley

L. Robin Cardozo, FCA
Chief Executive Officer

Anne Pashley
Vice-President,
Finance and Administration

AUDITORS' REPORT

To the Board of Directors of the
Ontario Trillium Foundation

We have audited the balance sheet of the **Ontario Trillium Foundation** as at March 31, 2002 and the statements of operations and changes in accumulated net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada,
April 26, 2002.

Chartered Accountants

Ontario Trillium Foundation

BALANCE SHEET

As at March 31

	2002 $	2001 $
ASSETS		
Cash	**1,045,985**	1,063,302
Accrued interest and other	**1,189,064**	3,778,757
Investments *[note 3]*	**128,669,625**	117,445,189
Capital assets, net *[note 4]*	**1,148,674**	1,340,913
	132,053,348	123,628,161
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	**959,845**	927,749
Grants payable *[note 6[b]]*	**116,298,970**	100,820,370
Deferred contributions *[note 6[a]]*	**5,642,708**	12,838,520
Total liabilities	**122,901,523**	114,586,639
Net assets *[note 7]*		
Invested in capital assets	**1,148,674**	1,340,913
Unrestricted net assets	**8,003,151**	7,700,609
Total net assets	**9,151,825**	9,041,522
	132,053,348	123,628,161

See accompanying notes

On behalf of the Board:

Robert G. Power
Chair

Jean-François Gratton
Treasurer

Ontario Trillium Foundation

STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED NET ASSETS

Year ended March 31

	2002 $	2001 $
REVENUE		
Ontario government funding *[note 5]*	**107,248,863**	101,588,563
Grants rescinded or recovered	**1,225,047**	1,158,242
Interest income	**7,842,051**	8,501,201
	116,315,961	111,248,006
EXPENSES		
Grants pledged *[note 6]*	**106,057,700**	101,712,321
Current operations	**9,948,110**	9,147,779
Non-grant contributions to the community *[note 8]*	**199,848**	184,285
	116,205,658	111,044,385
Excess of revenue over expenses for the year	**110,303**	203,621
Accumulated net assets, beginning of year	**9,041,522**	8,837,901
Accumulated net assets, end of year	**9,151,825**	9,041,522

See accompanying notes

Ontario Trillium Foundation

STATEMENT OF CASH FLOWS

Year ended March 31

	2002 $	2001 $
GRANTING AND OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**110,303**	203,621
Add non-cash item Amortization of capital assets	**509,467**	504,098
Net change in non-cash working capital balances related to operations	**10,904,577**	37,505,766
Cash provided by granting and operating activities	**11,524,347**	38,213,485
INVESTING ACTIVITIES		
Net increase in investments	**(11,224,436)**	(37,605,423)
Purchase of capital assets	**(317,228)**	(408,958)
Cash used in investing activities	**(11,541,664)**	(38,014,381)
Net increase (decrease) in cash during the year	**(17,317)**	199,104
Cash, beginning of year	**1,063,302**	864,198
Cash, end of year	**1,045,985**	1,063,302

See accompanying notes

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

1. PURPOSE

The Ontario Trillium Foundation ["OTF"], an agency of the Ministry of Culture [formerly the Ministry of Culture, Tourism and Recreation] [the "Ministry"], is financially supported by the government of Ontario. OTF began operations as an arm's length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to work with others to make strategic investments to build healthy, caring and economically strong communities in Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

Revenue recognition

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investments

Short-term investments, treasury bills, and bankers' acceptances are recorded at cost. Bonds are recorded at amortized cost.

Grants

Grants are recorded as expenses in the year that the Board of Directors approves the grant.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	1 year
Leasehold improvements	over term of the lease

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

3. INVESTMENTS

Investments consist of the following:

	2002		2001	
	Cost $	Market value $	Cost $	Market value $
Treasury bills	**93,339,095**	**93,339,095**	102,955,803	102,955,803
Bankers' acceptances	**10,855,141**	**10,855,141**	5,291,887	5,291,887
Ontario Hydro bond, 5.97% due April 16, 2002	**5,072,053**	**5,012,350**	5,197,500	5,058,970
Ontario Hydro bond, 4.60% due June 24, 2002	**19,403,336**	**19,287,090**	—	—
Government of Canada, 7.05% due May 1, 2001	—	—	3,999,999	4,005,963
	128,669,625	**128,493,676**	117,445,189	117,312,623

The treasury bills and bankers' acceptances are due within the next twelve months and bear interest from 1.90% to 5.97% [2001 - 4.61% to 6.40%].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2002			2001		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	**645,630**	**442,312**	**203,318**	626,423	315,107	311,316
Computer hardware	**827,198**	**671,547**	**155,651**	833,413	575,792	257,621
Computer software	**584,152**	**522,700**	**61,452**	461,244	437,996	23,248
Leasehold improvements	**1,184,019**	**455,766**	**728,253**	1,073,520	324,792	748,728
	3,240,999	**2,092,325**	**1,148,674**	2,994,600	1,653,687	1,340,913

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

5. GOVERNMENT FUNDING

Effective April 1, 1999, OTF began to receive funding from the Ministry for a new mandate to be carried out through two programs: the Community and Province-wide Grants Programs. During the fiscal years ended March 31, 2001 and 2002, OTF received $100 million of funding and must use $100 million less operating expenses not covered by investment income for the two grant programs. Funding received in these years has been recorded in the continuity of deferred contributions *[note 6[a]]*.

Since April 1996, OTF has received funding from the Ministry for Partnership Programs which include the Community Connections Program, Access Fund and Community Linkages Program. No funding was received for these programs in fiscal 2001 or 2002.

The government funding is subject to Memoranda of Understanding with the Ministry that define how the funds must be invested and distributed.

6. DEFERRED CONTRIBUTIONS AND GRANTS PAYABLE

[a] Deferred contributions represent funding received from the Ministry that has not yet been pledged as grants. The continuity of deferred contributions is as follows:

	2002			2001
	Community and Province-wide Grants Programs $	**Partnership Programs** $	**Total** $	**Total** $
Deferred contributions, beginning of year	**10,457,501**	**2,381,019**	**12,838,520**	14,227,317
Activities during the year				
Funding received *[note 5]*	**100,000,000**	**—**	**100,000,000**	100,000,000
Interest income recorded as revenue	**7,700,002**	**142,049**	**7,842,051**	8,501,201
Grants pledged	**(104,664,000)**	**(1,393,700)**	**(106,057,700)**	(101,712,321)
Current operations	**(9,806,061)**	**(142,049)**	**(9,948,110)**	(9,147,779)
Grants rescinded or recovered related to grants approved after March 31, 1999	**905,856**	**9,040**	**914,896**	770,336
Interest income available for use in future years	**—**	**53,051**	**53,051**	199,766
	(5,864,203)	**(1,331,609)**	**(7,195,812)**	(1,388,797)
Deferred contributions, end of year	**4,593,298**	**1,049,410**	**5,642,708**	12,838,520

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

[b] Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2002 $	2001 $
Grants pledged		
Community and Province-wide Grants Programs	**104,664,000**	98,973,921
Partnership Programs	**1,393,700**	2,738,400
	106,057,700	101,712,321
Grants rescinded	**(1,055,560)**	(1,092,900)
Grants paid	**(89,523,540)**	(60,399,464)
Net change in grants payable	**15,478,600**	40,219,957
Grants payable, beginning of year	**100,820,370**	60,600,413
Grants payable, end of year	**116,298,970**	100,820,370

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

	$
2003	71,130,470
2004	31,605,100
2005	10,732,500
2006	2,422,100
2007	408,800
	116,298,970

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

7. NET ASSETS

The changes in the components of the net assets are as follows:

	2002			2001
	Unrestricted net assets $	Invested in capital assets $	Total $	Total $
Net assets, beginning of year	**7,700,609**	**1,340,913**	**9,041,522**	8,837,901
Excess of revenue over expenses for the year	**619,770**	**(509,467)**	**110,303**	203,621
Purchase of capital assets	**(317,228)**	**317,228**	**—**	—
Net assets, end of year	**8,003,151**	**1,148,674**	**9,151,825**	9,041,522

8. NON-GRANT CONTRIBUTIONS TO THE COMMUNITY

Non-grant contributions to the community are charitable activities other than grants, such as partnerships with other organizations, projects initiated by OTF and technical assistance to community organizations. Costs shown as other non-grant charitable contributions represent expenses allocated from current operations.

The components of the non-grant contributions to the community are as follows:

	2002 $	2001 $
Research Project - Community Profiles	—	9,702
Media Relations Toolkit	—	47,313
Other non-grant charitable contributions	**199,848**	127,270
	199,848	184,285

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

9. COMMITMENTS

[a] OTF has provided a $120,000 letter of credit to its landlord to support its obligations under the lease at its premises. No amount has been drawn as at March 31, 2002.

[b] Future minimum annual rental payments for premises under operating leases are as follows:

	$
2003	239,532
2004	278,714
2005	251,660
2006	245,113
2007	245,113
2008	224,687

Ontario Trillium Foundation employees paid $100,000 or more in calendar year 2001 (unaudited)

Name	Position	Salary Paid $	Taxable Benefits $
Robin Cardozo	Chief Executive Officer	161,188	8,933
Diane Labelle-Davey	Director, Human Resources & Volunteer Relations	103,812	4,736
Anne Pashley	Vice-President, Finance & Administration	103,442	7,603
Gayle Waxman	Director, Policy, Research & Evaluation	102,274	2,908

Prepared under the Public Sector Disclosure Act, 1996

ROM Finances

Auditors' Report

To the Trustees of The Royal Ontario Museum

We have audited the balance sheet of The Royal Ontario Museum as at June 30, 2001 and the statements of operations and changes in net assets (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada
August 3, 2001

ROM Finances

The Royal Ontario Museum
(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

BALANCE SHEET • AS AT JUNE 30

	2001	2000
	(in thousands of dollars)	
Assets		
Current		
Cash and short-term investments (note 4)	5	2,313
Due from The Royal Ontario Museum Foundation (note 13)	1,265	1,055
Other accounts receivable	1,361	1,540
Inventories	526	565
Deferred exhibition costs and other assets	833	570
Total current assets	3,990	6,043
Investments (note 4)	1,812	805
Deferred pension costs (note 14)	3,236	2,598
Capital assets, net (note 5)	53,153	54,712
Other assets	298	319
	62,489	64,477
Liabilities and Net Assets (Deficit)		
Current		
Accounts payable and accrued liabilities (note 14)	4,264	4,920
Deferred revenue (note 7)	4,695	4,407
Total current liabilities	8,959	9,327
Deferred capital contributions (note 8)	53,522	55,169
Net assets (deficit) (note 9)	8	(19)
	62,489	64,477

On behalf of the Board:

Steve Lowden, Trustee

Harriet Walker, Trustee

The Royal Ontario Museum

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) • YEAR ENDED JUNE 30

	2001	2000 See schedule
	(in thousands of dollars)	
Revenues		
Grants (note 10)	24,233	25,076
Admission fees	3,559	4,977
Museum programs	1,994	1,973
Ancillary services	8,422	10,010
Investment income	110	71
Donations - Gifts in kind	1,084	2,629
Amortization of deferred capital contributions	4,022	4,021
Other	2,941	1,258
Total revenues	46,365	50,015
Expenses		
Curatorial and collection management	10,835	9,956
Building, security and visitor services	7,563	8,370
Ancillary services	6,694	7,707
General and administration	2,993	3,564
Education and public programs	2,141	2,430
Library and information services	1,966	2,138
Exhibition and gallery development	1,524	2,179
Marketing and public relations	1,699	1,515
Temporary exhibitions	3,080	3,428
Artifacts and specimens		
- Gifts in kind	1,084	2,629
- Purchased	1,370	1,116
Amortization of capital assets	4,169	4,174
Other	1,220	
Total expenses (note 11)	46,338	49,206
Excess of revenues over expenses for the year	27	809
Deficit,beginning of year (note 9)	(19)	(828)
Net assets (deficit),end of year (note 9)	8	(19)

(See accompanying notes)

ROM Finances

The Royal Ontario Museum

STATEMENT OF CASH FLOWS • YEAR ENDED JUNE 30

	2001	2000
	(in thousands of dollars)	
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	27	809
Add (deduct) non-cash items		
Pension income	(638)	(158)
Amortization of capital assets	4,169	4,174
Deferred capital contributions recognized as income		(833)
Amortization of deferred capital contributions	(4,022)	(4,021)
	(464)	(29)
Changes in non-cash working capital balances related to operations		
Due from The Royal Ontario Museum Foundation	(210)	(795)
Other accounts receivable	179	(420)
Inventories	39	419
Deferred exhibition costs and other assets	(263)	(224)
Accounts payable and accrued liabilities	(656)	1,543
Deferred revenue	288	317
	(623)	840
Cash provided by (used in) operating activities	(1,087)	811
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(2,610)	(1,828)
Sale (purchase) of other investments, net	(1,007)	1,150
Decrease in other assets	21	156
Contributions received for capital asset purchases	2,375	1,293
Cash provided by (used in) investing and financing activities	(1,221)	771
Net increase (decrease) in cash and short-term investments during the year	(2,308)	1,582
Cash and short-term investments, beginning of year	2,313	731
Cash and short-term investments, end of year	5	2,313

(See accompanying notes)

The Royal Ontario Museum

NOTES TO FINANCIAL STATEMENTS • JUNE 30, 2001

1.General

The Royal Ontario Museum (the "Museum") is a scheduled agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2.Accounting change - employee future benefits

Effective July 1, 2000, the Museum adopted, on a prospective basis, the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations. Previously, costs for employee future benefits, other than pension, were expensed as incurred and pension cost obligations were discounted at the long term rate of return on net assets. In addition, experience gains and losses were amortized over the employee average remaining service life.

The transitional obligation for non-pension benefit plans of $3,151,000 as at July 1, 2000 will be amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the benefit plans (17 years). As a result of this change, employee benefits expense for fiscal 2001 increased by $438,000.

For the Museum's pension plan, the amortization schedules established in prior years have been consolidated under the accounting standards and there is a net pension transitional asset of $8,001,000 at July 1, 2000. This asset will be amortized over the expected average remaining service life of the active employees covered by the pension plan (13.5 years).

3.Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below.

Revenue recognition

The Museum follows the deferral method of accounting for contributions, which include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for capital assets are deferred and amortized over the life of the related capital asset. Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Investments

Investments are recorded at market value. Investment income consists of interest, dividends, realized gains (losses) and the net change in unrealized gains and losses.

Inventories

Inventories, which consist primarily of gift shop items held for sale, publications and supplies, are stated at the lower of average cost and net realizable value.

ROM Finances

Deferred exhibitions and other costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

Employee benefit plans

The Museum accrues its obligations under employee benefit plans and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 13.5 years. The average remaining service period of the active employees covered by other retirement benefit plans is 17 years.

Capital assets

Land is carried at cost. Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Major capital projects	5 to 10 years
Furniture and equipment	3 to 10 years

Artifacts and specimens

The value of artifacts and specimens has been excluded from the balance sheet. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

Contributed materials and services

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

4. Investments

Investments consist of the following:

	2001	2000
	(in thousands of dollars)	
Cash and short-term investments	1,590	2,832
Canadian bonds	200	255
Canadian preferred shares	24	24
Accrued interest	3	7
	1,817	3,118
Less amounts recognized as other investments	1,812	805
Cash and short-term investments	5	2,313

The amount of investments classified as non-current represents the assets held for unspent deferred capital contributions [note 8].

ROM Finances

5.Capital assets

[a] Capital assets consist of the following:

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(in thousands of dollars)			
Building	54,912	27,373	54,912	25,996
Galleries	37,579	15,113	36,637	13,219
Major capital projects	10,023	8,319	9,597	7,567
Furniture and equipment	2,160	716	918	570
	104,674	51,521	102,064	47,352
Less accumulated amortization	51,521		47,352	
Net book value	53,153		54,712	

[b] The change in net book value of capital assets is due to the following:

	2001	2000
	(in thousands of dollars)	
Balance, beginning of year	54,712	57,058
Purchase of capital assets funded by restricted capital contributions	1,367	1,610
Purchase of capital assets funded internally	1,243	218
Amortization of capital assets	(4,169)	(4,174)
Balance, end of year	53,153	54,712

6.Artifacts and specimens

As at June 30, 2001, the collection consisted of approximately 5,951,000 artifacts and specimens. During the year, the Museum accessioned approximately 1,000 objects to its collections through the acquisition and purchase of artifacts.

7. Deferred revenue

Deferred revenue represents grants from government, corporations and The Royal Ontario Museum Foundation (the "Foundation") related primarily to next year's operations.

8.Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of capital contributions is recorded as revenue in the Statement of Operations and Changes in Net Assets. The changes in the deferred capital contributions balance are as follows:

	2001	2000
	(in thousands of dollars)	
Balance, beginning of year	55,169	58,730
Amortization of deferred capital contributions	(4,022)	(4,021)
Recognized as grant revenue	-	(833)
Restricted contributions received for capital asset purchases	2,375	1,293
Balance, end of year	53,522	55,169

At June 30, 2001, deferred capital contributions of $1,812,000 (2000 - $805,000) were received but not spent.

ROM Finances

9. Net assets (deficit)

[a] The components of net assets (deficit) at June 30 are as follows:

	2001			
	Operating Deficit	Board Restricted	Invested in Capital Assets	Total
	(in thousands of dollars)			
Balance before adjustment for investment in capital assets	(1,028)	1,036	-	8
Operating funds invested in capital assets	(1,394)	-	1,394	-
Restricted funds invested in capital assets	-	(50)	50	-
Balance after adjustment for investment in capital assets	(2,422)	986	1,444	8

	2000			
	Operating Deficit	Board Restricted	Invested in Capital Assets	Total
	(in thousands of dollars)			
Balance before adjustment for investment in capital assets	(1,666)	1,647	-	(19)
Operating funds invested in capital assets	(293)	-	293	-
Restricted funds invested in capital assets	-	(55)	55	-
Balance after adjustment for investment in capital assets	(1,959)	1,592	348	(19)

[b] Changes in the components of net assets (deficit) at June 30 are as follows:

	2001				2000
	Operating Deficit	Board Restricted	Invested in Capital Assets	Total	Total
	(in thousands of dollars)				
Balance, beginning of year	(1,959)	1,592	348	(19)	(828)
Excess of revenues over expenses for the year	638	(611)	-	27	809
Net change in invested in capital assets	(1,101)	5	1,096	-	-
Balance, end of year	(2,422)	986	1,444	8	(19)

[c] The net assets invested in capital assets consist of the following:

	2001	2000
	(in thousands of dollars)	
Capital assets, net	53,153	54,712
Less amounts financed by deferred capital contributions	51,709	54,364
Balance, end of year	1,444	348

ROM Finances

The net change in net assets invested in capital assets is calculated as follows:

	2001	2000
	(in thousands of dollars)	
Purchase of capital assets funded internally	1,243	218
Amortization of capital assets	(4,169)	(4,174)
Amortization of deferred capital contributions	4,022	4,021
Net change in net assets invested in capital assets	1,096	65

10. Grants

Grants consist of the following:

	2001	2000
	(in thousands of dollars)	
Province of Ontario -operating	18,518	18,708
-other	256	1,218
Government of Canada	88	207
The Royal Ontario Museum Foundation [note 13]	5,371	4,227
Corporations	-	716
	24,233	25,076

11.Expenses

Expenses are reported in the Statement of Operations and Changes in Net Assets (Deficit) on a functional basis. Expenses by category are as follows:

	2001	2000
	(in thousands of dollars)	
Salaries and benefits	22,344	23,260
Purchased goods and services	23,994	25,946
	46,338	49,206

12.Museum volunteers

During the year, Museum volunteers contributed approximately 86,000 hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum, world and local travel packages that promote the Museum's image in Ontario and throughout the world, and many other support activities.

In addition, the net income generated by the Museum volunteers and the ROM Reproductions Association, an independent volunteer organization affiliated with the Museum, goes directly to support the Museum's activities. During the year ended June 30, 2001, the Museum volunteers contributed $70,000 (2000 - $80,000) to the Foundation for acquisition and research projects at the Museum. The ROM Reproductions Association contributed $75,000 (2000 - $75,000) to the Foundation for the purchase of artifacts and specimens.

13.The Royal Ontario Museum Foundation

The Foundation was incorporated on July 1, 1992 to co-ordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research and acquisitions.

ROM Finances

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. As at June 30, the fund balances of the Foundation are as follows:

	2001	2000
	(in thousands of dollars)	
Unrestricted funds	683	314
Restricted funds		
Available currently	4,037	5,867
Available at a future date	11,011	9,023
Internally restricted	-	113
	15,048	15,003
Endowment funds		
Externally restricted	7,676	7,378
Internally restricted	2,135	2,110
	9,811	9,488
	25,542	24,805

During the year, the Foundation granted $6,340,000 (2000 - $5,933,000) to the Museum. Of this amount $5,371,000 (2000-$4,277,000) was recorded as revenue and the balance was recorded as deferred revenue or deferred capital contributions.

During the year, the Museum sold property rights for $1,550,000 which is included in other revenues. Of this amount, $1,200,000 was transferred to the Foundation and is included in other expenses.

14. Employee benefits

The Museum has a defined pension benefit plan and other benefit plans that provide pension and other post-employment benefits to most of its employees. Details of these plans are summarized below.

The net (income) expense for the Museum's benefit plans is as follows:

	2001	2000
	(in thousands of dollars)	
Defined benefit plan	(600)	(142)
Other post-employment benefits	489	51
	(111)	(91)

Information about the Museum's pension and non-pension plans at June 30 is as follows:

	Pension	Non- Pension
	(in thousands of dollars)	
Accrued liabilities	43,710	3,327
Market value of assets	45,430	-
Surplus (deficit)	1,720	(3,327)
Unrecognized transitional (asset) obligation	(7,413)	2,954
Unrecognized actuarial (gain) loss	8,929	(66)
Balance sheet asset (obligation)	3,236	(439)

The obligation for non-pension plans is included in accounts payable and accrued liabilities.

ROM Finances

The significant actuarial assumptions adopted in measuring the Museum's accrued benefit obligations are as follows

	Pension	Non- Pension
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	7.5%	-
Rate of compensation increase	3.5%	-

For measurement purposes, an ultimate 4.5% annual rate of increase in the cost of medical and dental benefits was assumed

Other information about the Museum's defined benefit plan is as follows:

	Pension		Non-Pension	
	2001	2000	**2001**	2000
		(in thousands of dollars)		
Employee contributions	635	555	-	-
Employer contributions	-	-	50	51
Benefits paid	1,867	1,689	50	51

15. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 financial statements

Record of Employees'2000 Salaries and Benefits (unaudited)

Name	Position	Salary Paid	Taxable Benefits
Rahimi, Dan	Director, Collections	$101,940.49	$290.81
Howlett, Jan	Exec. Dir., Visitor Experience	$100,840.45	$287.28
Peters, Joel	Exec. Dir., Marketing	$101,417.39	$288.60
Shaikoh, Al	Exec. Dir., Facilities	$101,940.49	$290.81
Graesser, William	Exec. Dir., Finance	$101,940.49	$290.81
Shoreman, Michael	Senior VP, Capital Projects	$158,415.86	$452.00
Hushion, Anthony	VP, Exhibits & New Media	$134,405.15	$383.40
Sues, Hans-Dieter	VP, Collections & Research	$128,686.10	$367.26
Beckel, Margaret	Chief Operating Officer	$186,751.76	$5,200.31
Barnett, Robert	VP, Cultural Innovations	$110,046.20	$314.95
Sharp, Lindsay	President & CEO	$265,064.17	$12,986.25

Prepared under the Public Sector Salary Disclosure Act, 1996

Royal Ontario Museum

Schedule of Operations by Fund

	2000–2001				1999–2000			
	Operating Fund	Restricted Fund	Capital Fund	Total Museum	Operating Fund	Restricted Fund	Capital Fund	Total Museum
Revenues								
Grants	21,357	2,876		24,233	21,481	3,595		25,076
Admission fees	3,559			3,559	4,977			4,977
Museum programs	1,994			1,994	1,973			1,973
Ancillary services	7,929	493		8,422	9,615	395		10,010
Investment income	108	2		110	26	45		71
Donations - Gifts in kind		1,084		1,084		2,629		2,629
Amortization of deferred capital contributions			4,022	4,022			4,021	4,021
Other	429	2,512		2,941	566	692		1,258
Total revenues	35,376	6,967	4,022	46,365	38,638	7,356	4,021	50,015
Expenses								
Curatorial and collections management	8,327	2,508		10,835	8,263	1,693		9,956
Building, security and visitor services	6,917	646		7,563	7,427	943		8,370
Ancillary services	6,008	686		6,694	7,224	483		7,707
General and administration	2,993			2,993	3,502	62		3,564
Education and public programs	2,129	12		2,141	2,424	6		2,430
Library and information systems	1,966			1,966	2,138			2,138
Exhibition and gallery development	1,524			1,524	2,179			2,179
Marketing and public relations	1,699			1,699	1,515			1,515
Temporary exhibitions	3,061	19		3,080	3,384	44		3,428
Other		1,220		1,220				
Artifacts and specimens								
- Gifts in kind		1,084		1,084		2,629		2,629
- Purchased		1,370		1,370		1,116		1,116
Amortization of capital assets	114	33	4,022	4,169	107	46	4,021	4,174
Total expenses	34,738	7,578	4,022	46,338	38,163	7,022	4,021	49,206
Excess (deficiency) of revenues over expenses for the year	638	(611)	-	27	475	334	-	809
Surplus (deficit), beginning of year	(1,666)	1,647	-	(19)	(2,141)	1,313	-	(828)
Surplus (deficit), end of year	(1,028)	1,036	-	8	(1,666)	1,647	-	(19)

Office of the Provincial Auditor of Ontario

To the Toronto Area Transit Operating Authority
and to the Minister of Transportation

I have audited the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 2002 and the statement of operations and deficiency for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
July 9, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Operations and Deficiency
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
ASSETS		
Current		
Due from Province of Ontario	8,736	8,863
Capital Assets Pledged as Collateral (Note 3)	215,321	236,638
	224,057	245,501
LIABILITIES AND DEFICIENCY		
Current Liabilities		
Current portion of long-term debt (Note 4)	3,704	2,352
Interest on long-term debt	8,736	8,863
	12,440	11,215
Long-term Debt (Note 4)	452,800	445,962
Deficiency	(241,183)	(211,676)
	224,057	245,501

See accompanying notes to financial statements.

Approved by

Chair

Board Member

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Operations and Deficiency
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Operating subsidies from the Province	37,461	36,311
Expenses		
Amortization of capital assets	21,317	21,399
Amortization of deferred foreign exchange loss on long-term debt	10,255	2,223
Interest on long-term debt	35,396	35,568
	66,968	59,190
Excess of Expenses over Revenue	(29,507)	(22,879)
Deficiency, beginning of year	(211,676)	(188,797)
Deficiency, end of year	(241,183)	(211,676)

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2002 (dollars in thousands)

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1. FUNDING AND GREATER TORONTO TRANSIT AUTHORITY

On December 18, 1998 the Province gave Royal Assent to the *Greater Toronto Services Board Act, 1998*. Pursuant to this Act, on August 7, 1999, the transit business of the Toronto Area Transit Authority (Authority) was transferred to the Greater Toronto Transit Authority (GTTA) without compensation. The transfer included all assets (including $58,777 in cash) and liabilities and employees, except for the railway rolling stock and related debt represented by conditional sales agreements described in Note 4, which the Authority continues to administer.

2. ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies are as follows:

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Locomotives	20 years
Other railway roiling stock	25 years
Locomotive overhauls	5 years

(b) Foreign currency translation

Long-term debt payable in U.S. dollars is translated to Canadian dollars at rates of exchange in effect at the end of the period. Unrealized exchange gains or losses arising on translation are deferred and amortized over the remaining term of the debt.

(c) Administrative expenses

Administrative services are provided by the Ministry of Transportation without charge.

3. CAPITAL ASSETS

The capital assets are comprised of locomotives and other railway rolling stock pledged as collateral for the long-term debt described in note 4.

	2002			2001
	Cost $	Accumulated Amortization $	Net $	Net $
Other Railway Rolling Stock	363,308	192,486	170,822	185,355
Locomotives	110,905	67,570	43,335	48,879
Locomotive Overhauls	7,312	6,148	1,164	2,404
	481,525	266,204	215,321	236,638

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2002 (dollars in thousands)

4. LONG-TERM DEBT

At the request of the Ontario Minister of Finance, the Authority entered into a financing transaction on March 31, 1994. Under the terms of the transaction, 42 of the locomotives and 243 bi-level cars were sold for US$311,867 (CDN$431,530) and immediately repurchased from the same counterparty at the same price under conditional sales agreements (CSAs) maturing on July 1, 2006. The proceeds from the original sale was returned to the Province net of transaction costs of $4,271. While under the CSAs, the Authority agreed to repay the obligation and interest thereon over the 12-year period. Pursuant to a memorandum of understanding dated December, 1993 with the Minister of Finance, and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the debt and interest obligations.

The transaction has been accounted for as a collateralized financing. The debt is collateralized by the locomotives and bi-level cars. The Authority retains the right to use the locomotives and bi-level cars and is liable for maintenance and all other associated obligations. On August 7, 1999, the Authority signed an equipment lease agreement leasing these locomotives and bi-level cars to the Greater Toronto Transit Authority (GTTA) at a nominal amount of one dollar annually. Under this equipment lease agreement which expires on July 1, 2006, GTTA is liable for the maintenance and all other associated obligations.

To minimize the risk of fluctuations in foreign exchange rates to the Ontario government, the Province has entered into a currency swap agreement. At year end, approximately 80% of the debt was hedged by the currency swap. As the Authority is not a party to the currency swap agreement, the effects of this agreement are not reflected in these financial statements. As such, the Authority recognizes and defers the full impact of currency fluctuations net of accumulated amortization while the Province recognizes the offsetting gain or loss on the swap. Due to the unique nature of the long-term debt, it is not practical to determine a fair value of this transaction.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2002 (dollars in thousands)

4. LONG-TERM DEBT (CONTINUED)

CSA Number	Maximum Loan US$	Average Interest Rate %	Balance at March 31, 2002 US$	Collateral
1	14,487	7.27536	14,248	Bi-level cabs and coaches
2	108,926	7.26143	107,859	Bi-level cabs and coaches
3	23,794	7.38419	22,358	Locomotives
4	70,319	7.28488	69,078	Bi-level cabs and coaches
5	60,702	7.36798	60,702	Bi-level coaches
6	41,926	7.39563	41,190	Locomotives
	320,154		315,435	

Translated to Canadian Dollars at	1.5870
CAN$	500,595
Deferred foreign exchange loss net of accumulated amortization of $20,037	(44,091)
	456,504
Less: Current portion	3,704
	452,800

The annual repayments on a fiscal year basis in US dollars that the Authority is required to make are as follows:

Fiscal Year	Principal Repayment US$	Interest US$	Total US$
2002-2003	2,334	23,071	25,405
2003-2004	2,753	22,889	25,642
2004-2005	8,069	22,597	30,666
2005-2006	8,911	22,073	30,984
2006-2007	293,368	10,727	304,095
	315,435	101,357	416,792

5. STATEMENT OF CASH FLOWS

A statement of cash flows was not required as the information which it would contain is readily available from these financial statements.

TRUST AND OTHER
MISCELLANEOUS
FINANCIAL STATEMENTS

Management's Responsibility

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the financial statements included in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Corporation maintains systems of internal accounting controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit and Finance Committee and have been approved by its Board of Directors. In addition, the financial statements have been examined by KPMG LLP, the auditors, whose report follows.

Andrew Poprawa, CA
President & CEO

James Maxwell
Chief Administrative and Financial Officer

Toronto, Canada
February 8, 2002

Auditors' Report

KPMG LLP

To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the Statement of Financial Position of Deposit Insurance Corporation of Ontario as at December 31, 2001 and the Statement of Operations and Changes in the Deposit Insurance Reserve Fund and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 8, 2002

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Financial Position

DECEMBER 31, 2001, WITH COMPARATIVE FIGURES FOR 2000 (IN THOUSANDS OF DOLLARS)

	2001	2000
ASSETS		
Cash	$ 1,213	$ 300
Investments (note 2)	35,457	23,328
Premium receivable	1,055	-
Accounts and interest receivable	1,001	245
Deposit insurance advances recoverable	2,757	4,709
Capital assets (net of accumulated amortization of $2,930 (2000 - $2,753))	320	342
	$ 41,803	$ 28,924
LIABILITIES		
Payables and accruals	1,959	1,638
Deferred premium income	1,130	-
Accrual for deposit insurance losses (note 4)	9,749	12,167
Total Liabilities	12,838	13,805
Deposit Insurance Reserve Fund	28,965	15,119
	$ 41,803	$ 28,924

Contingencies (note 10)

See accompanying notes to financial statements

On behalf of the Board:

Margaret C. McKee Director

Director

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Operations and Changes in the Deposit Insurance Reserve Fund

YEAR ENDED DECEMBER 31, 2001, WITH COMPARATIVE FIGURES FOR 2000 *(IN THOUSANDS OF DOLLARS)*

	2001	2000
INCOME		
Premium income	**$ 13,916**	$ 25,381
Other income	**1,643**	1,366
	15,559	26,747
EXPENSES		
Recovery of losses (note 4)	**(3,817)**	(2,224)
Salaries and benefits	**4,120**	4,057
Loan fee / Interest expense	**14**	21
Operating expense	**2,637**	2,733
Recovery of operating expense	**(1,241)**	(639)
	1,713	3,948
Excess of income over expenses	**13,846**	22,799
Deposit Insurance Reserve Fund (deficit), beginning of year	**15,119**	(7,680)
Deposit Insurance Reserve Fund, end of year	**$ 28,965**	$ 15,119

See accompanying notes to financial statements.

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 2001, WITH COMPARATIVE FIGURES FOR 2000 *(IN THOUSANDS OF DOLLARS)*

	2001	2000
Cash received from (applied to):		
Operations:		
Excess of income over expenses	**$ 13,846**	$ 22,799
Items charged to operations not affecting cash		
Recovery of losses	**(3,817)**	(2,224)
Gain on disposal of capital assets	**-**	(6)
Amortization	**180**	191
	10,209	20,760
Changes in:		
Premium receivable	**(1,055)**	-
Accounts and interest receivable	**(756)**	(93)
Payables and accruals	**321**	(2,170)
Deferred premium income	**1,130**	-
	(360)	(2,263)
Net deposit insurance recoveries (note 4)	**3,351**	780
	13,200	19,277
Investing activities:		
Purchase of capital assets	**(158)**	(176)
Proceeds on sale of capital assets	-	8
	(158)	(168)
Increase in cash position	**13,042**	19,109
Cash position, beginning of year	**23,628**	4,519
Cash position, end of year	**$ 36,670**	$ 23,628
Supplementary cash flow information:		
Interest paid during the year	**$ 9**	$ 12

Cash position is defined as cash and short-term investments less any borrowings.

See accompanying notes to financial statements.

Notes to Financial Statements

YEAR ENDED DECEMBER 31, 2001

General

Deposit Insurance Corporation of Ontario is an "Operational Enterprise" Agency of the Province of Ontario without share capital established under the provisions of the Credit Unions and Caisses Populaires Act.

The statutory objects of the Corporation under the Act are to :

- provide deposit insurance to depositors of member institutions;
- act as stabilization authority for the credit union and caisse populaire system;
- promote standards of sound business practices;
- collect and publish statistics;
- provide financial assistance to member institutions;
- act as administrator of member institutions;
- minimize deposit insurance risk and size of claims.

The Act empowers the Corporation to assess its member institutions to meet the Corporation's requirements for insurance funding and administrative costs. The Corporation establishes its premium levy annually. The established premium levy is submitted to the Government of Ontario for review and incorporation into the regulations through appropriate amendments as necessary.

In addition the Corporation's borrowings, if any, are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The guarantee is for a maximum of $75 million and expired December 31, 2001. It has since been extended to December 31, 2003. In addition to the guarantee fees of one-half of one per cent of the average end of day balance outstanding of any debt obligation subject to the Minister's guarantee, the Province of Ontario charges a fee of 5 basis points on the unused portion of any credit facility guaranteed for the period ending December 31 of each year during which the new guarantee is in effect.

1. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not reflect the assets, liabilities or operations of credit unions or caisses populaires where the Corporation has been appointed liquidator.

(a) Premium income:

Premiums are based on a Differential Premium Risk Classification System applied to insured deposits held by member institutions. Premium income is recognized when earned.

(b) Provision for losses:

The provision for losses includes allowances against deposit insurance advances and an accrual for losses for which advances have not been made at the date of the Statement of Financial Position.

Funds advanced in respect of deposit insurance and loans to member institutions are initially recorded at cost. Deposit insurance advances recoverable are presented on the Statement of Financial Position net of allowances thereon.

The accrual for deposit insurance losses includes both provisions for specific losses and a general provision for losses. Specific provisions for losses in respect of insured deposits are estimated by management and recorded when conditions, in the opinion of management, exist that will likely result in losses to the Corporation.

The general provision for losses reflects management's best estimate of losses on insured deposits arising from the inherent risk in the credit union/caisse populaire system. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

(c) Pension benefits:

The Corporation has a defined contribution pension plan covering all of its regular, non-contractual employees. Earnings are charged with the cost of pension benefits earned by employees as service is rendered. Pension expense is determined by a fixed percentage of the employees' income plus the matching of the employees' contribution to a maximum of 4%. The Corporation assumes no actuarial or investment risk.

(d) Future non-pension post-retirement benefits:

Future non-pension post-retirement benefits relate to the Corporation's extended health, dental and life benefits for both active employees for whom a full eligibility date was determined and existing qualified retirees. The Corporation accrues obligations under these plans as the employees render the service necessary to earn the future benefits. The cost of these future non-pension post-retirement benefits earned by employees is actuarially determined. Accruals for these costs represent discounted future expenditures for existing retirees and discounted future expenditures during the period of active employment for current employees to an expected retirement date.

(e) Investments:

Investments comprise short-term fixed income instruments and are recorded at amortized cost. The discounts are amortized on a straight line basis over the terms of the instruments.

(f) Capital assets:

These are recorded at cost. Amortization of furniture and equipment is provided by the diminishing-balance method at the rate of 20 per cent per annum. Computer and related equipment and software are amortized over three years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

2. Investments:

Investments have terms to maturity less than one year. They have a weighted-average yield of 3.58% (2000: 5.61%). All investments are highly liquid fixed rate contracts and are R1 MID or better on the DBRS scale.

	2001	2000
	(thousands)	
Treasury Bills-Canada	**$19,092**	$ 5,932
Treasury Bills-Ontario	**7,383**	8,385
Promisory Notes-other provinces	**4,989**	6,028
Bankers Acceptance	**3,993**	2,983
Total Investments	**$35,457**	$23,328

3. Borrowings:

The Corporation has in place revolving credit facilities, approved by the Ontario Financing Authority, which administers the Minister's guarantee, as follows:

	Max. Credit Available	**Outstanding as at Dec. 31,2001**
		(thousands)
Canadian Chartered Bank	$20,000	Nil
Credit Union Central of Ontario	$10,000	Nil

The borrowings are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The interest rate on all lines of credit is Bankers' Acceptance rates plus 14 basis points. These lines of credit expired on December 31, 2001.

For 2002, the Corporation has renewed only its line of credit with the Canadian Chartered Bank which will expire on January 9, 2003. The Corporation will pay an annual fee of 5 basis points in arrears to the Province of Ontario on the unused portion of this credit facility with the Chartered Bank.

4. Accrual for deposit insurance losses:

The provision for losses includes specific provisions for known or likely losses from specific member institutions and a general provision for losses not identified with specific institutions. That portion of the provision for losses recorded in the year and in previous years which has not yet required payment by the Corporation is shown in liabilities on the Statement of Financial Position as "Accrual for deposit insurance losses".

	2001	2000
	(thousands)	
Accrual for deposit insurance losses, beginning of year	**$ 12,167**	$14,541
Increase in Accrual for current year's deposit insurance losses	**3,525**	-
Decrease in Accrual for prior year's deposit insurance losses	**(7,342)**	(1,724)
Change in general provision for losses	**-**	(500)
Net recovery of deposit insurance losses	**(3,817)**	(2,224)
Decrease in deposit insurance advances recoverable	**(1,952)**	(930)
Accrual for deposit insurance losses, at end of year	**(9,749)**	(12,167)
Net deposit insurance recoveries	**$ (3,351)**	$ (780)

The general provision for losses included in "Accrual for deposit insurance losses" amounted to $3,000,000 (2000 - $3,000,000) and is calculated in accordance with the methodology as described in note 1(b).

At December 31, 2001 all deficiency coverage agreements, previously provided by the Corporation, have expired. The accrual for deposit insurance losses has been reduced accordingly.

5. Lease Commitments:

The operating lease for the Corporation's premises is for the term commencing January 1, 1998 and ending August 5, 2007. The future minimum rent is $123,000 for years one to five and $140,000 for years six to ten. In addition, the Corporation is required to pay property taxes and common area maintenance costs.

6. Income Taxes:

The Corporation is subject to income taxes under the Income Tax Act. It has accumulated losses for income tax purposes of $43,857,000. They expire as follows:

Originating Taxation Year	Expiring Taxation Year	Amount *(thousands)*
1995	2002	6,987
1996	2003	7,566
1997	2004	7,449
1998	2005	6,885
1999	2006	5,975
2000	2007	4,992
2001	2008	4,003
		$43,857

7. Pension Plan:

The Corporation substantially collapsed its defined benefit pension plan and, as elected by all its then current employees, transferred the applicable past service actuarial values as at December 31, 1998 to a defined contribution plan. All past service costs have been accounted for on the plan revision. The Corporation's pension expense charged to income for 2001 was $310,000 (2000-$316,000)

8. Future non-pension post-retirement benefits:

The Corporation accounts for the current value of future non-pension post-retirement benefits. The accrued obligation as at December 31, 2001, as actuarially determined, is $649,000 (2000 - $590,000). Current service costs, including interest, were $75,000 (2000 - $69,000). These costs are subject to actuarial re-evaluation resulting from emerging experience gains and losses.

The assumptions used in the actuarial valuation of the future benefits obligations consisted of: interest rate of 6.75%, rate of compensation increase of 4.5%, annual rate of increase in dental costs of 4.5% and annual rate of increase in medical cost of 6.7%, grading down to 4.5% per annum over 5 years.

9. Directors' Expense:

During the year the directors received an aggregate remuneration of $75,000 (2000 - $81,000). Directors' expenses were $47,000 (2000 - $52,000). The fixed per diem rate for the Chair is $500 and for all other Board members it is $300.

10. Contingencies:

The Corporation is subject to various legal actions brought against it in the normal course of business, when acting in the capacity of administrator or liquidator. It is the view of the Corporation's management that these actions will be successfully defended. Accordingly, no provisions have been made in these financial statements.

11. Fair Value Disclosure:

The fair value of financial assets and liabilities which include cash, investments, premium receivable, accounts and interest receivable, payables and accruals, approximate their carrying amounts.

The fair value of deposit insurance advances recoverable and the accrual for deposit insurance losses have not been determined because it is not practicable to determine fair value with sufficient reliability.

12. Compensation:

The following information is furnished in compliance with the *Public Sector Salary Disclosure Act, 1996.*

Employee	Position held	Compensation	Taxable Benefits
Brydges, Barry	Vice President Stabilization Services	$127,723	$10,269
Burgman, John	Chief Information Officer	$107,019	$ 9,973
Charbonneau, Robert	Vice President Insurance	$129,523	$ 9,561
Foster, C.William D.	Vice President Asset Management & Recoveries	$137,504	$10,801
Kingston, Tom	Director Administration	$121,542	$ 8,183
Maxwell, James	Chief Administrative & Financial Officer	$122,462	$11,452
Poprawa, Andrew	President and CEO	$195,054	$10,388

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002

ASSETS

	2002	2001
	$	$
Funds on Deposit with the Minister of Finance	12,193,214	7,174,158
	12,193,214	**7,174,158**

LIABILITIES & FUND BALANCE

	2002	2001
Net Fund Balance	12,193,214	7,174,158
	12,193,214	**7,174,158**

See accompanying notes to Financial Statements

Approved:

Philip Howell

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services (Acting)

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)
STATEMENT OF FUND
FOR THE YEAR ENDED MARCH 31, 2002

	2002 $	2001 $
RECEIPTS		
Fee on issue or renewal of driver's licences	8,041,358	8,821,318
Repayment by debtors	2,119,266	2,382,261
Prior year recoveries	851,815	543,393
TOTAL RECEIPTS	**11,012,439**	**11,746,972**
DISBURSEMENTS		
Special Purpose Payments		
Third Party Claims		
Judgments, including costs	2,783,606	3,107,710
Out-of-Court settlements	33,648	66,869
Hit-and-run cases, including costs	442,371	985,807
	3,259,625	4,160,386
Accident Benefits		
Statutory accident benefits	6,198,963	3,550,972
Sub-total	9,458,588	7,711,358
Administrative Expenses		
Salaries and wages	853,424	767,755
Employee benefits	160,377	136,365
Transportation and communication	39,568	15,268
Services		
Claims (Solicitors' fees, etc.)	1,144,707	1,415,379
Accident benefits claims expense	591,151	516,812
Other	1,082,650	95,323
Supplies and equipment	61,918	13,140
Sub-total	3,933,795	2,960,042
TOTAL DISBURSEMENTS	**13,392,383**	**10,671,400**
Increase (Decrease) in Fund during the year	(2,379,944)	1,075,572
Balance in Fund, on deposit with the Minister of Finance, Beginning of Year	7,174,158	6,098,586
Transfer Payment - Subsidization of MVACF	7,399,000	0
Balance in Fund, on deposit with the Minister of Finance, End of Year	**12,193,214**	**7,174,158**

See accompanying notes to Financial Statements

MOTOR VEHICLE ACCIDENT CLAIMS FUND

NOTES TO FINANCIAL STATEMENTS

1. Authority

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the Motor Vehicle Accident Claims Act (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. Fund Operations

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the Compulsory Automobile Insurance Act, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. In 1990, a new provision to pay accident benefits was created for the Fund.

The Fund now pays claims under four different automobile insurance compensation systems:

1) Tort - prior to June 22, 1990
2) OMPP - between June 22, 1990 and December 31, 1993
3) Bill 164 - between January 1, 1994 and October 31, 1996
4) Bill 59 - from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike, insurance companies the Fund does not cover claims where the accidents occur outside of Ontario.

3. Statement of Fund

Basis of Accounting

The Fund uses the cash basis of accounting which is modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, certain payments incurred at year end may be reported in the first month of the new fiscal period.

Receipts

Fees consist of $1.00 charged per year to every driver in the Province of Ontario who renews his her driver's licence and for every new driver's licence issued.

Amounts collected on outstanding receivables are reported as receipts in the year they are collected (see below for explanation of Accounts Receivable).

Special Purpose Payments

Amounts paid from the Fund to victims of automobile accidents, where there is no insurance to respond to the claim, are reported as expenditures and are broken down into claim types as set out in the Act. These payments are legally recoverable from uninsured at-fault motorists, for all third party, liability claims.

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Administrative Expenses

The administrative expenditures (e.g. Salaries, Benefits, Transportation & Communication, Services and Supplies & Equipment) are paid out during the course of the year from the Consolidated Revenue Fund. At the end of each fiscal year, the Lieutenant Governor in Council authorizes the payment out of the Fund, the amount required to reimburse the Consolidated Revenue Fund for the expenses incurred in connection with the administration of the Fund.

4. **Statement of Financial Position**

Motor Vehicle Accident Claims Fund

As at March 31, 2002 the Fund reported disbursements in excess of revenue by $2.4 million. Temporary funding in the form of a transfer payment was received from the Consolidated Revenue Fund in the amount of $7.4 million. This resulted in increasing the fiscal year end Fund balance to $12.2 million. This amount is held in a Consolidated Revenue Fund Special Purpose Account and is reported as a liability on the Statement of Financial Position of the Province of Ontario.

Accounts Receivable

The records of the Fund provide for an Accounts Receivable portfolio, compiled over the years as a result of third party claim payouts to uninsured victims. In accordance with the Act these payouts which become receivables, are recoverable from uninsured motorists. As of March 31, 1999, the process used to estimate the allowance for doubtful accounts was revised. The process involves an aging method modified to suit the Fund's payout process. At March 31, 2002 the receivables totalled $48.3 million. The allowance for doubtful accounts is calculated to be $28.8 million leaving a net realizable value of $19.5 million.

Contingent Gains

Some payments out of the Fund are in the form of Structured Settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 25 years and during this period the reversionary interest will revert to Her Majesty the Queen in right of Ontario as represented by the Minister of Finance should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest as at March 31, 2002 for information purposes.

As at March 31, 2002, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $4.4 million with applicable reversionary interest of approximately $2.6 million.

Fixed Assets

The cost of Fixed Assets, consisting of furniture and equipment and alterations to premises are charged to operations in the period in which they are incurred.

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Unfunded Liability

As at March 31, 2002 the Fund is contingently liable for claims in process, claims which have occurred but have not yet been reported, and the expenses required to settle the claims. Based on an actuarial valuation, the estimated payments in all future years arising from outstanding claim and claim settlement expense liability, add up to $107.9 million. This amount includes a $5.8 million provision for adverse deviation. Once netted against the Fund's $12.2 million balance, and $19.5 million in net receivables, (as per Accounts Receivable, above), this leaves an unfunded liability of $76.2 million.

The portion of the overall $107.9 million expected to be paid out in the 2002 - 2003 fiscal year is estimated to be approximately $13.0 million.

Ontario Pension Board

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Leonard Lu
President
February 8, 2002

Darla S. Sycamore

Darla S. Sycamore, CA
Director, Finance

Auditors' Report

To the Directors of the Ontario Pension Board

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board (the "OPB") as at December 31, 2001, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 2001 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 8, 2002

Actuaries' Opinion
To the Directors of the Ontario Pension Board

We have prepared an actuarial valuation on a funding basis of the Public Service Pension Plan (the "PSPPlan") as of December 31, 1999 and a supplementary cost certificate as of August 1, 2000, as described in Note 8(a) of these consolidated financial statements.

We hereby certify that, in our opinion:

- the data provided to us by the Ontario Pension Board (OPB) are sufficient and reliable for the purposes of the December 31, 1999 valuation and August 1, 2000 cost certificate;
- the actuarial assumptions used are, in aggregate, appropriate for the purposes of a valuation for funding purposes of the PSPPlan;
- the methods employed in the valuation are appropriate for the purposes of the valuation and are consistent with the requirements of the Pension Benefits Act, the Public Service Pension Act, and the Income Tax Act (Canada); and
- the valuation was prepared and our opinion given in accordance with accepted actuarial practice.

Using the same data as provided by the OPB for the funding basis valuation, we also prepared an estimate of the assets and liabilities on an actuarial basis following the accounting methodology required by The Canadian Institute of Chartered Accountants Handbook, Section 4100, as disclosed in Note 8(b). These amounts are set out in the consolidated statement of net assets available for benefits and accrued pension benefits and surplus. The valuation for accounting purposes was prepared in accordance with accepted actuarial practice and is based on assumptions set out in Note 8(b), which in our opinion fall within a reasonable range.

Michael Banks

Michael D. Banks, F.I.A., F.C.I.A.

Lester J. Wong, F.S.A., F.C.I.A.

WILLIAM M. MERCER LIMITED
February 8, 2002

Ontario Pension Board

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

(in thousands of dollars)

As at December 31	2001	2000
Assets		
Investments (Note 4)	$ 11,949,541	$11,952,232
Contributions receivable (Note 7)	16,981	13,793
Capital assets (Note 5)	805	462
Total assets	11,967,327	11,966,487
Liabilities		
Income taxes withheld on pension payments	8,567	8,332
Accounts payable and accrued charges	13,104	6,583
Contributions payable	589	333
Total liabilities	22,260	15,248
Net Assets Available for Benefits	11,945,067	11,951,239
Actuarial asset value adjustment (Note 8(b))	1,183,956	921,280
Actuarial Value of Net Assets Available for Investments	13,129,023	12,872,519
Accrued Pension Benefits and Surplus		
Accrued pension benefits	11,573,932	11,212,152
Surplus (Note 8(b))	1,555,091	1,660,367
Total Benefits and Surplus	$ 13,129,023	$12,872,519

See accompanying notes

Donald D. Weiss
Director

Geoffrey H. Collins
Director

Ontario Pension Board

Consolidated Statement of Changes in Net Assets Available for Benefits

(in thousands of dollars)

For the Year Ended December 31	2001	2000
Increase in Net Assets		
Net investment income (Note 6)	$ 517,672	$ 1,111,059
Contributions (Note 7)	130,230	282,604
Transfers from other plans	102,975	143,204
Increase in net assets	750,877	1,536,867
Decrease in Net Assets		
Pensions paid	695,880	669,642
Termination payments and transfers	45,706	100,258
Operating expenses (Note 10)	15,463	11,709
Decrease in net assets	757,049	781,609
Net Increase (Decrease) in Net Assets for the Year	(6,172)	755,258
Net Assets, at Beginning of Year	11,951,239	11,195,981
Net Assets, at End of Year	$ 11,945,067	$ 11,951,239

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

Ontario Pension Board

(in thousands of dollars)

For the Year Ended December 31	2001	2000
Accrued Pension Benefits, at Beginning of Year	$ 11,212,152	$10,994,073
Increase in Accrued Pension Benefits		
Interest on accrued pension benefits	770,544	747,243
Benefits accrued	332,822	289,533
Total increase	1,103,366	1,036,776
Decrease in Accrued Pension Benefits		
Benefits paid	741,586	721,900
Experience gains	–	96,797
Total decrease	741,586	818,697
Net Increase in Accrued Pension Benefits	361,780	218,079
Accrued Pension Benefits, at End of Year	$ 11,573,932	$11,212,152

Consolidated Statement of Changes in Surplus

(in thousands of dollars)

For the Year Ended December 31	2001	2000
Surplus, at Beginning of Year	$ 1,660,367	$ 1,010,654
Increase (Decrease) in net assets available for benefits	(6,172)	755,258
Change in actuarial asset value adjustment	262,676	112,534
Increase in actuarial value of net assets available for benefits	256,504	867,792
Net Increase in Accrued Pension Benefits	361,780	218,079
Surplus, at End of Year	$ 1,555,091	$ 1,660,367

See accompanying notes

Notes to Consolidated Financial Statements
December 31, 2001

Ontario Pension Board

Note 1. Public Service Pension Act

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the Public Service Pension Act, 1990 (the "PSPAct") to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan (the "PSPPlan") are stated in Schedule 1 to the PSPAct. The Ontario Pension Board (the "OPB") is the administrator of the PSPPlan.

Note 2. Description of PSPPlan

The following is a brief description of the PSPPlan. For more complete information, reference should be made to the PSPAct.

a) General The PSPPlan is a contributory defined benefit pension plan and membership is mandatory for most employees who satisfy the eligibility requirements provided in the PSPAct. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered under the Pension Benefits Act (Ontario) and the Income Tax Act (Canada) under Registration Number 0208777.

b) Contributions The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts. The Province has amended the PSPPlan to provide for a contribution reduction of 4% of salary for members and a corresponding reduction for employers. This reduction is in effect until November 30, 2002. For most members, the reduction took effect on August 1, 2000.

Ontario Provincial Police Force ("OPP") members are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer. Under an amendment to the PSPPlan, OPP employees are not required to contribute this additional amount from August 1, 2000 until March 31, 2002. However, employer contributions will continue at the normal level.

c) Pensions A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan, 2% of the average salary during the best consecutive 60 month period, less an offset for amounts received under the CPP at age 65. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 (the "Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for certain members of the Plan (the "Factor 80"). Amendments allow an unreduced pension for those members whose age and years of credit in the PSPPlan add to 80. Members are eligible for this program if they achieve the Factor 80 prior to April 1, 2002 and elect, within certain limited time frames, to retire. OPP members are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) Disability Pensions Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination Payments Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

g) Escalation of Benefits Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

Ontario Pension Board

Note 3. Summary of Significant Accounting Policies

a) Basis of Presentation The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation The accounts of the wholly-owned subsidiary are included on a consolidated basis.

c) Investments Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at amortized cost which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value (see Note 4). Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are presented on a trade date basis.

Real estate investments are stated at appraised values as established by independent annual appraisals. Changes in valuation due to appraisal adjustments are included in unrealized gains.

d) Contributions Contributions from members and employers which are due to the PSPPlan at year end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) Capital Assets Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) Foreign Currency Translation Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions.

The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year end.

Ontario Pension Board

Note 4. Investments

(in thousands of dollars)

As of December 31	2001		2000	
	Fair Value	Cost	Fair Value	Cost
Special Province of Ontario Debentures	$ 3,363,221	$ 3,363,221	$ 3,471,694	$ 3,471,694
Cash and short-term investments				
Canadian	587,106	586,356	737,352	736,700
Foreign	77,287	76,964	103,173	103,165
	664,393	663,320	840,525	839,865
Bonds				
Canadian	1,817,694	1,781,135	1,772,269	1,755,106
Foreign	295,190	283,082	335,028	320,898
	2,112,884	2,064,217	2,107,297	2,076,004
Equities				
Canadian	1,598,301	1,453,840	1,675,581	1,443,009
Foreign	2,986,158	2,554,353	2,663,749	2,010,796
	4,584,459	4,008,193	4,339,330	3,453,805
Real estate	955,699	886,453	911,666	848,759
Investments	11,680,656	10,985,404	11,670,512	10,690,127
Accrued income	268,885	268,885	281,720	281,720
Total	$11,949,541	$ 11,254,289	$ 11,952,232	$10,971,847

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of $3.36 billion. By discounting cash flows based on year-end market yields of comparable bonds, a value of $4.75 billion could be determined.

There are currently 18 Special Province of Ontario Debentures maturing over the next 13 years with a weighted average interest rate of 11.78%.

As Administrator of the Fund, the OPB has adopted a Statement of Investment Policies and Procedures. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, equity and fixed income investments may be allocated to different asset classes. The proportion allocated at any point in time is determined based on an assessment of economic and financial market conditions. To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

Equity	30% to 70%
Fixed income	30% to 70%

The Fund's long-term asset mix policy is as follows:

Equity	60%
Fixed income	40%

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

Ontario Pension Board

The OPB invests in high-grade bonds and common shares. The fair value of foreign investments will fluctuate with moves in exchange rates.

The carrying value of the real estate assets was increased by $6 million to reflect the results of an independent appraisal conducted as at December 31, 2001.

See the schedules of Fixed Income Maturities and Investments Over $35 Million for further information.

Note 5. Capital Assets

(in thousands of dollars)

As at December 31		Cost		Accumulated Amortization		2001 Net Book Value		2000 Net Book Value
Computer equipment	$	901	$	585	$	316	$	269
Leasehold improvements		1,397		1,081		316		95
Furniture and fixtures		662		489		173		98
Total capital assets	$	2,960	$	2,155	$	805	$	462

Note 6. Net Investment Income

(in thousands of dollars)

For the Year Ended December 31		2001		2000
Interest income				
Special Province of Ontario Debentures	$	401,913	$	411,547
Cash and short-term investments				
Canadian		25,403		43,223
Foreign		4,066		4,989
Bonds				
Canadian		114,156		113,656
Foreign		19,383		20,468
Total interest income		564,921		593,883
Dividend income				
Canadian		31,805		37,081
Foreign		53,849		38,313
Total dividend income		85,654		75,394
Real estate income		74,610		72,189
Realized gain		88,599		455,166
Unrealized loss		(284,548)		(74,095)
Total investment income		529,236		1,122,537
Investment management and custodial fees		11,564		11,478
Net investment income	$	517,672	$	1,111,059

Ontario Pension Board

Note 7. Contributions

(in thousands of dollars)

For the Year Ended December 31		2001		2000
Members				
Current service	$	49,322	$	77,752
Prior service		14,113		10,122
		63,435		87,874
Employers				
Current service		54,462		82,103
Prior service		12,333		6,496
Interim unfunded liability payments received		–		106,131
		66,795		194,730
Total contributions	$	130,230	$	282,604

The contribution requirements are set out in the PSPAct and summarized in Note 2.

Contributions receivable represent members' and employers' contributions due as well as estimated receivables for members receiving benefits on LTIP and for the matching portion of buybacks billed to the employer.

Note 8. Accrued Pension Benefits

a) Funding Basis The funding of the PSPPlan is based on a method of valuation required under the PSPAct. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, William M. Mercer Limited ("Mercer") as at December 31, 1999. This valuation disclosed an actuarial surplus of $335 million based on an actuarial liability of $11.683 billion and an actuarial value of assets of $12.018 billion at the end of 1999.

Effective August 2000, the Province provided for certain enhancements to the Plan. The actuarial cost of the benefits totalled $329 million.

The Pension Benefits Act (Ontario) and the Income Tax Act (Canada) require an actuarial valuation for funding purposes to be performed at least every three years.

b) Accounting Basis The consolidated financial statements include assets and liabilities on a best estimate basis according to the reporting standard set by The Canadian Institute of Chartered Accountants (CICA).

The CICA basis requires that the obligation for accrued pension benefits be calculated using best estimate assumptions and the projected benefit method pro-rated on services. The key assumptions which have been used for this estimation are for long-term expectations and are reviewed annually in light of economic conditions. For 2001 and 2000, the key assumptions used are as follows:

	2001	2000
Interest	7.0%	7.0%
Inflation	3.0%	3.0%
Real rate of return	4.0%	4.0%
Salary	4.0% +promotional scale	4.0% +promotional scale

Best estimates for the actuarial value of assets include valuation of the Special Province of Ontario Debentures on a discounted basis. In addition, realized and unrealized gains and losses on marketable investments are amortized over four years.

Ontario Pension Board

Note 9. Ontario Provincial Police Force Early Retirement Benefit

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to members who are employed by the Ontario Provincial Police Force (OPP). This early retirement benefit is available to OPP members who are 50 years of age and have 30 years of credit in the PSPPlan. OPP members contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability of OPP members who qualify and elect to retire under the Factor 80 provision is not reported under the OPP early retirement benefit. When the Province's program expires, the liability for all OPP members who attain 50 years of age and have 30 years of credit in the PSPPlan will be reported under the OPP early retirement benefit.

The position of the OPP early retirement benefit was included in the actuarial valuation as at December 31, 1999. The value of projected future contributions and benefits included in the December 31, 1999 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 2001. This method produces a reasonable estimate of the financial position of this benefit according to the OPB's actuaries.

The additional obligation and assets related to the OPP early retirement benefit as at December 31, 2001 were as follows:

	(in thousands of dollars)
Assets allocated to payment of OPP early retirement benefit	$ 65,912
Actuarial value of future additional contributions from OPP members and employer	$ 81,310
	$ 147,222
Actuarial value of future OPP early retirement benefit	$ 141,757
Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP early retirement benefit	$ 5,465

Note 10. Operating Expenses

(in thousands of dollars)

For the Year Ended December 31	2001	2000
Salaries and benefits	$ 7,310	$ 5,569
Agency services	1,038	648
Office premises and operations	1,992	1,460
Computer and professional services	4,030	2,835
Depreciation and amortization	337	427
Communications	544	517
Audit	62	104
Travel	68	52
Publications, registration and filing fees	82	97
Total operating expenses	$ 15,463	$ 11,709

Note 11. Executive Compensation

The compensation table represents disclosure of the compensation and taxable benefits earned in the year by the Chief Executive Officer and the four other most highly compensated executives.

	Compensation	Taxable Benefits
Donald D. Weiss, Chairman and CEO	$ 210,376	$ 256
Leonard Lu, President	272,534	500
Mark J. Fuller, Executive Vice-President	247,694	464
Robert F. Kay, Sr. Vice-President, Investments	218,132	410
Linda J. Bowden, Vice-President, Corporate Services	148,738	301

Ontario Pension Board

Fixed Income Maturities

(in thousands of dollars)

As at December 31	2001 Fair Value	2001 Effective Yield %	2000 Fair Value	2000 Effective Yield %
Special Province of Ontario Debentures				
0–1 year	$ 96,416	9.81–16.95	$ 76,334	10.11–13.40
1–5 years	655,941	9.51–14.65	595,729	9.51–16.95
5–10 years	1,375,769	11.55–15.38	1,228,306	11.16–15.38
>10 years	1,235,095	10.38–11.19	1,571,325	10.38–11.55
	$ 3,363,221		$ 3,471,694	
Cash and short-term investments				
Canadian				
0–1 year	$ 587,106	1.91–2.16	$ 737,352	5.29–6.41
Foreign				
0–1 year	77,287	1.65	103,173	3.25–5.47
	$ 664,393		$ 840,525	
Bonds				
Canadian				
0–1 year	$ 50,427	5.38–9.64	$ 54,749	6.93–10.62
1–5 years	487,705	4.74–9.91	335,727	4.97–9.41
5–10 years	832,695	4.78–8.58	864,104	5.19–10.90
>10 years	336,081	5.32–7.90	410,666	5.61–8.01
PH&N Bond Fund:				
2–48 years (2–28 years in 2000)	110,786	5.55	107,023	6.33
	$ 1,817,694		$ 1,772,269	
Foreign				
0–1 year	$ 4,826	8.14	$ –	–
1–5 years	65,255	4.48–7.72	44,365	4.92–7.68
5–10 years	184,596	3.98–7.38	265,153	4.04–7.18
>10 years	40,513	5.45–5.90	25,510	5.24–5.47
	$ 295,190		$ 335,028	
	$ 2,112,884		$ 2,107,297	

Ontario Pension Board

Investments Over $35 Million

(in thousands)

As at December 31	Maturities	Coupon %	Fair Value
Special Province Of Ontario Debentures	2002–2014	9.51–16.95	$ 3,363,221
Cash and Short-term Investments			
Canadian			
Government of Canada			332,853
Province of Ontario			56,048
Bonds			
Canadian			
Government of Canada	2002–2033	5.00–10.25	542,212
Province of Ontario	2002–2029	4.88–10.00	223,014
Phillips Hager & North High Grade Corporate Bond Fund	2003–2049	5.10–12.20	110,786
Woodbine Entertainment Group	2011	8.58	60,365
NHA MBS TD Bank	2008–2011	5.50	47,098
Royal Bank of Canada	2007–2016	5.40–7.29	41,242
Province of Alberta	2005–2016	5.00–7.50	36,589
The Toronto-Dominion Bank	2010–2012	6.00–8.40	35,984
Province of British Columbia	2008–2012	5.75–6.38	35,475
Foreign			
Government of France	2002–2025	4.00–8.50	189,589
Government of United Kingdom	2008	9.00	35,401
Real Estate			955,699

Ontario Pension Board

(in thousands)

	Shares	Fair Value
Equities		
Canadian		
Canadian Imperial Bank of Commerce	1,736	$ 95,209
Royal Bank of Canada	1,728	89,567
The Toronto-Dominion Bank	1,986	81,564
BCE	1,824	65,685
The Bank of Nova Scotia	1,332	65,205
Sceptre Small Cap Section Pooled Fund	181	54,192
Manulife Financial	1,224	50,898
Canadian National Railway	655	50,269
Suncor Energy	935	49,010
Pancanadian Energy	1,057	43,646
Alberta Energy	712	42,834
Bank of Montreal	1,190	42,714
Petro-Canada	1,067	41,944
Power Financial	1,047	39,902
Nortel Networks	3,196	38,030
Foreign		
USA		
Pfizer	1,012	64,393
Exxon Mobil	992	62,229
Philip Morris	760	55,632
Citigroup	672	54,169
Bristol-Myers Squibb	661	53,813
Microsoft	502	53,089
General Electric	815	52,156
Merck & Co	554	52,028
Federal National Mortgage Association	387	49,062
JP Morgan Chase	795	46,142
Johnson & Johnson	461	43,529
Bank of New York	557	36,303
Abbott Laboratory	393	35,001
France		
Total Fina Elf	154	35,167

Ontario Pension Board

The statutory information required under the Public Salary Disclosure Act, 1995, with respect to employees who are paid a salary of $100,000 or more in the year 2001 is as follows:

		Salary	Taxable Benefits
Weiss, Donald	Chairman & CEO	$210,376	$256
Lu, Leonard	President	$272,534	$500
Fuller, Mark	Executive Vice President	$247,694	$464
Kay, Robert	Sr. Vice President Investments	$218,132	$410
Bowden, Linda	Vice President, Corporate Services	$148,738	$301
Farrugia, Joe	Director, Planning & Information Tech.	$129,152	$265
Sycamore, Darla	Treasurer & Director, Finance	$114,330	$256
Fish, Sheila	Director, Member & Pensioner Services	$109,313	$229

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Provincial Judges Pension Board
and to the Minister of Finance

I have audited the statement of changes in fund balance of the Provincial Judges Pension Fund for the year ended March 31, 2002. This financial statement is the responsibility of the Fund's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2 to the financial statement.

Toronto, Ontario
May 8, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

PROVINCIAL JUDGES PENSION FUND

Statement of Changes in Fund Balance
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Deposits		
Contributions		
Participants	2,827	2,735
Province of Ontario (Note 4)	10,700	10,382
Interest earned	24,567	23,231
	38,094	36,348
Payments		
Pension payments and survivor allowances	14,844	14,462
Refunds	—	196
	14,844	14,658
Net increase in the Fund	23,250	21,690
Balance on deposit with the Minister of Finance		
Beginning of year	277,462	255,772
End of year	300,712	277,462

Contingent liability (Note 5)

See accompanying notes to financial statement

Approved on behalf of the Board:

Chair

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2002

1. DESCRIPTION OF THE FUND

The Provincial Judges Pension Fund (the Fund) is administered by the Provincial Judges Pension Board as designated by Ontario Regulation 67/92, as amended, of the *Courts of Justice Act*. The following brief description of the Fund is provided for general purposes only. For more complete information, reference should be made to the Regulation.

(a) General

The purpose of the Fund is to provide pension payments to retired Provincial Judges and Masters who are members of the Plan or survivor allowances to the dependents of these Judges and Masters.

(b) Funding Policy

Participants are required to contribute 7% of their salary to the earlier occurrence of meeting their basic service requirement or attaining age 70 years.

The contribution required of the Province is determined by an actuarial valuation as described in note 4.

(c) Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which the participant has credit upon ceasing to hold office and on the salary of a full-time judge of the highest judicial rank held by the participant while in office. The participant is entitled to these payments during his/her lifetime.

(d) Disability Pension Payments

A full pension is available at age 65 for participants with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness.

(e) Survivor Allowances

A survivor allowance equal to 60% of the pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined in section 22 of the Regulation.

(f) Death Refunds

A death refund is payable to the personal representative of a participant where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the participant's contributions in the Fund plus interest, less entitlements already paid out.

(g) Withdrawal Refunds

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Fund plus interest.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2002

1. DESCRIPTION OF THE FUND (CONTINUED)

(h) Interest Revenue

All new money, being the excess of deposits over payments each fiscal year, earns interest at a fixed rate for 25 years which is not less than the weighted average rate on long term securities issued or guaranteed by the Province of Ontario during that fiscal year. For the 2002 fiscal year, the rate applied to the new money each month was 5.810% (2001 – 6.59%) and was credited from the end of each month to the end of the fiscal year. The weighted average interest rate applied to the Fund balance at the beginning of the fiscal year was 8.85% (2001 – 9.05%).

(i) Fund Status

The Fund is not subject to the reporting requirements under the *Pension Benefits Act* and Regulations. However, the Fund has the status of a registered pension plan for income tax purposes.

(j) Escalation of Entitlements

Entitlements are adjusted annually based on changes in the Canadian Aggregate Industrial Wage as published by Statistics Canada, subject to a maximum of 7% in any one year.

(k) Pending Changes to the Fund

Amendments to the *Income Tax Act (Canada) (ITA)* limit the pension benefit payable from the Fund for post 1991 service. Cabinet has approved that benefits above the ITA limit will be provided through a separate supplementary account in the Consolidated Revenue Fund.

The terms of the Fund are being revised to comply with the requirements under the ITA, and an Order-in-Council will be required to establish the supplementary account. Canada Customs and Revenue Agency is aware of the status of the supplementary account. To date, the Fund has paid out approximately $12,527,601.25 which should have been paid from the supplementary account. Once the account is established, there will be a reconciliation between the account and the Fund, both of which are to be held within the Consolidated Revenue Fund of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared on a cash basis of accounting because section 34 of Ontario Regulation 67/92 under the Courts of Justice Act states that the Fund shall consist of contributions and money paid, transferred or credited to the Fund, less money paid out.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2002

4. LIABILITY FOR FUTURE BENEFITS

The Province is responsible for the unfunded liabilities of the Provincial Judges Pension Plan and fund these liabilities in amounts recommended by the actuarial valuation of the Plan. The most recent annual actuarial valuation of the Plan as at March 31, 2000 disclosed that the present value of future government contributions was $110,427,000 and recommended the Province contribute $10,382,000 in fiscal 2001 towards this total. In fiscal 2002, the Province contributed $10,700,000, which was based on the fiscal 2001 contribution adjusted for scheduled salary changes. It is Management Board Secretariat's opinion that before the triennial valuation is done, this interim contribution amount is adequate as there has been no substantial changes made to the Plan since the actuarial valuation as at March 31, 2000 was done.

5. CONTINGENT LIABILITY

The Ontario Conference of Judges commenced an action against the provincial government over its refusal to implement the recommendations of the 1998 Triennial Provincial Judges Remuneration Commission for pension benefit improvement. This action was dismissed. The Ontario Conference of Judges has filed a motion for leave to appeal. The outcome and ultimate disposition of this application for judicial review is not determinable at this time.

OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE

Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. The financial statements have been prepared by management in accordance with generally accepted accounting principles, and, where appropriate, include amounts based on Management's best estimates and judgements.

The Office of the Public Guardian and Trustee is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the Public Guardian and Trustee and her management committee.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the auditor's examination and opinion.

Louise Stratford
Public Guardian and Trustee

Sharon Yetter
Chief Financial Officer

July 19, 2002

Office of the Provincial Auditor of Ontario

Auditor's Report

To the Public Guardian and Trustee for the Province of Ontario
and to the Attorney General

I have audited the balance sheet of the Public Guardian and Trustee for the Province of Ontario as at March 31, 2002 and the statements of fund balances, revenue and expenditures – unappropriated fund, revenue and expenditures – special projects fund and cash flows – administration fund for the year then ended. These financial statements are the responsibility of the Public Guardian and Trustee's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Guardian and Trustee for the Province of Ontario as at March 31, 2002 and the results of its operations – unappropriated fund, operations – special projects fund and its cash flows – administration fund for the year then ended in accordance with the accounting policies as explained in the Summary of Significant Accounting Policies.

Toronto, Ontario
June 7, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

The Public Guardian and Trustee for the Province of Ontario

Balance Sheet

(in thousands of dollars)

March 31, 2002

	Estates and Trusts		Administration Fund	
	2002	2001	2002	2001
Assets				
Cash	$ 1,079	$ -	$ 744	$ 110
Accounts receivable	4,113	3,473	2,179	2,695
Bonds and other debt issues	21,249	24,696	-	-
Funds invested (Schedule A)	780,061	776,015	12,196	12,548
Diversified fund (Schedule B)	72,872	64,146	50,509	47,514
Other assets (Schedule C)	85,565	86,818	-	-
	$ 964,939	$ 955,148	$ 65,628	$ 62,867
Liabilities and Fund Balances				
Bank indebtedness	$ -	$ 1,301	$ -	$ -
Accounts payable	1,801	2,392	4,522	3,738
Deferred interest provision (Note 5)	-	-	8,100	7,600
	1,801	3,693	12,622	11,338
Fund balances	963,138	951,455	53,006	51,529
	$ 964,939	$ 955,148	$ 65,628	$ 62,867

Contingencies (Note 6)

On behalf of The Public Guardian and Trustee for the Province of Ontario

Public Guardian and Trustee

Chief Financial Officer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Estates and Trust Fund Balances

(in thousands of dollars)

March 31		2002		2001
Minors	**$**	**366,081**	$	365,438
Client estates		**336,220**		332,257
Litigants		**132,956**		120,283
Crown estates		**77,301**		83,111
Cemetery trusts		**18,827**		17,910
Executorship estates		**14,215**		14,030
Unadministered estates		**5,773**		5,514
Forfeited corporate assets		**4,202**		3,952
Corporate trusts		**3,060**		3,060
Land titles		**2,526**		3,176
Unclaimed balances		**1,607**		1,591
Probable escheates (Note 1)		**370**		1,133
	$	**963,138**	$	951,455

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Public Guardian and Trustee for the Province of Ontario

Statement of Administration Fund Balances

(in thousands of dollars)

For the year ended March 31, 2002

	Assurance Fund	Special Projects Fund	Litigation Reserve Fund	Allowance for Doubtful Accounts Fund	Capacity Assessment Fund	Unappro-priated Fund	Total 2002	Total 2001
Balance, beginning of year	$ 200	$ -	$ 2,000	$ 100	$ 100	$ 49,129	$ 51,529	$ 51,523
Excess of revenue over expenditures	-	1,547	-	-	-	530	2,077	837
Claims during the year	(401)	-	(187)	-	(12)	-	(600)	(831)
Transfers								
Reimbursement of claims	401	-	187	-	12	(600)	-	-
Balance, end of year	$ 200	$ 1,547	$ 2,000	$ 100	$ 100	$ 49,059	$ 53,006	$ 51,529

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Revenue and Expenditures - Unappropriated Fund

(in thousands of dollars)

For the year ended March 31	2002	2001
Revenue		
Fees collected		
Client estates	$ 10,095	$ 9,185
Minors/Litigants	3,420	3,279
Crown estates	1,761	1,705
Executorship estates	289	196
Charity trusts	156	158
Cemetery trusts	166	146
Forfeited corporate assets	33	32
Corporate trusts	-	17
Probable escheats	5	8
	15,925	14,726
Income from funds invested, net (Schedule D)	1,227	5,553
Loss from diversified fund, net (Schedule E)	-	(526)
Bank interest, net of charges	(618)	(616)
	16,534	19,137
Expenditures		
Salaries and wages	17,823	17,508
Employee Benefits (Note 3)	3,053	3,111
Services	2,295	2,406
Transportation and communication	1,421	1,413
Supplies and equipment	288	494
	24,880	24,932
Less: Amount recovered from the Ministry of the Attorney General	(8,876)	(6,632)
	16,004	18,300
Excess of revenue over expenditures	$ 530	$ 837

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Public Guardian and Trustee for the Province of Ontario

Statement of Revenue and Expenditures - Special Projects Fund

(in thousands of dollars)

For the year ended March 31	2002	2001
Revenue		
Income from investments in diversified fund	$ 1,232	$ -
Unrealized appreciation of diversified fund	1,311	-
	2,543	-
Expenditures		
Salaries and wages	300	-
Services	696	-
	996	-
Excess of revenue over expenditures	$ 1,547	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Public Guardian and Trustee for the Province of Ontario

Statement of Cash Flows - Administration Fund

(in thousands of dollars)

For the year ended March 31		2002		2001
Cash was provided by (used in)				
Operating activities				
Excess of revenue over expenditures for the year	$	2,077	$	837
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities				
Loss on sale of investments		1,519		5,431
Unrealized (appreciation) depreciation of diversified fund		(1,311)		1,404
Claims during the year		(600)		(831)
Accounts receivable		516		(582)
Accounts payable		784		(2,231)
Accrued interest		500		4,300
		3,485		8,328
Investing activities				
Purchases of investments, net		(2,851)		(8,335)
Increase (decrease) in cash during the year		634		(7)
Cash, beginning of the year		110		117
Cash, end of the year	$	744	$	110

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2002

Nature of Operations

The Public Guardian and Trustee for the Province of Ontario ("The Public Guardian and Trustee") performs duties under a number of statutes with the following main responsibilities:

- the management of estates of incapable adults
- the administration of estates of persons who have died in Ontario intestate and without next-of-kin
- the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence
- the management of funds, mortgages and securities paid into or lodged with the Accountant of the Superior Court of Justice on behalf of minors and litigants
- a general supervisory role over charitable property

Basis of Accounting

The Organization follows Canadian generally accepted accounting principles except for the following:

(i) Capital assets – Items of a capital nature purchased by the Ministry of the Attorney General and the Public Guardian and Trustee are not capitalized and are charged to the Public Guardian and Trustee's expenditures in the year of acquisition.

(ii) Other assets of Estates and Trusts – Other assets held on behalf of clients are accounted for on a market value basis as explained in the significant accounting policies relating to these items.

Estates and Trusts

Estates and Trusts represent accounts over which The Public Guardian and Trustee acts as guardian or trustee under the *Substitute Decisions Act, the Public Guardian and Trustee Act, the Crown Administration of Estates Act* and various other statutes.

Unappropriated Administration Fund

The Administration Fund is the operating account of The Public Guardian and Trustee. It is used to accumulate fees charged to each estate and trust for services, as prescribed by the fee schedule created pursuant to *The Public Guardian and Trustee Act*.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is distributed on the funds of Estates and Trusts in accordance with the interest rates prescribed in accordance with the Act and after provision for deferred interest.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2002

Appropriated Administration Funds

Assurance Fund
The *Public Guardian and Trustee Act* and the regulations under the Act provide that an Assurance Fund shall be established to meet losses for which The Public Guardian and Trustee might become liable.

During the year the Fund was reimbursed $401,089 (2001 - $373,495) from the unappropriated fund.

Special Projects Fund
The Special Projects Fund was established during the year to provide funding for significant special projects of the Organization. Income earned from the Unappropriated Fund, invested in the Diversified Fund, is included in revenue for the Special Projects Fund. The current funding is for the development and implementation of a new trust management technology system.

Litigation Reserve Fund
The Litigation Reserve Fund is used to cover expenses and costs of legal proceedings paid by the Public Guardian and Trustee on behalf of its litigation clients.

During the year the Fund was reimbursed $187,110 (2001 - $433,379) from the unappropriated fund for legal costs incurred on behalf of the clients.

Allowance for Doubtful Accounts Fund
The intent of the Allowance for Doubtful Accounts Fund is to provide for all clients' accounts whereby The Public Guardian and Trustee has advanced funds on a client's behalf and has a statutory lien pursuant to section 8.1 of the *Public Guardian and Trustee Act* but may not be able to recover the amount from the client.

Capacity Assessment Fund
The Capacity Assessment Fund was set up to cover fees of capacity assessors when a client is unable to pay for the costs of an assessment or re-assessment

During the year the Fund was reimbursed $11,731 (2001 - $24,539) from the unappropriated fund.

Cash and Cash Equivalents

Cash, as presented in the statement of cash flows, includes cash and cash equivalent balances held in accounts specifically assigned to the Administration Fund. Cash and cash equivalents includes cash on hand, current bank accounts and short term deposits, if any, with terms to maturity of less than 90 days.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2002

Investments

Funds Invested

Funds are invested in high quality fixed income instruments subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by the Public Guardian and Trustee with emphasis on preservation of capital and maximizing return. This includes US dollar trust funds where the Accountant of the Superior Court of Justice is ordered by the courts to hold these funds in US dollars.

The funds invested are reflected at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity, where these securities are intentionally held to maturity.

Interest income is distributed to participants by a prescribed interest rate approved by The Public Guardian and Trustee's Investment Advisory Committee.

Diversified Fund

The Public Guardian and Trustee has established a diversified fund that includes high quality equity and fixed income securities. This fund was established in order to provide an alternative for those clients whose unique investment objectives require a broader, longer range investment strategy. The fund is subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by The Public Guardian and Trustee with emphasis on the need to preserve and enhance the purchasing power of capital over the longer term. The Administration fund participates in the Diversified Fund. (See Schedule E)

The investment returns on this fund accrue directly to the participants and the investments are carried at market value.

Stocks and Bonds of Estates and Trusts

Stocks and bonds of Estates and Trusts are recorded at their market value at the time of taking over the Estates and Trusts. An annual adjustment to market value is made, as a minimum, at December 31 each year, with occasional revaluations made during the year.

Real Estate

Real estate is recorded at appraised value at the time of incorporation of the trust and is subject to periodic revaluations.

Life Insurance

Life insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years.

The Public Guardian and Trustee for the Province of Ontario
Summary of Significant Accounting Policies

March 31, 2002

Foreign Currency Translation

Foreign currency amounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date.

At the year end date, US dollar monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period. As of March 31, 2002 The Public Guardian and Trustee held only US dollars in foreign currency.

Use of Estimates

The preparation of financial statements in accordance with the accounting policies noted above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

The Public Guardian and Trustee
for the Province of Ontario
Notes to Financial Statements

March 31, 2002

1. Funds Escheated to the Crown

The Public Guardian and Trustee is authorized by the *Escheats Act* to take possession of property reverting to the Crown under the *Succession Law Reform Act, Business Corporations Act*, or common law. After a period of ten years, any property so received by The Public Guardian and Trustee which remains unclaimed is transferred to the Consolidated Revenue Fund of the Province.

During the year, $257,555 (2001 - $280,917) was transferred to the Province.

2. Transfers to Consolidated Revenue Fund

Pursuant to Section 9(5) of *The Public Guardian and Trustee Act*, the Lieutenant Governor in Council may from time to time direct that the payment into the Consolidated Revenue Fund of the Province of any balance at the credit of the Administration Fund.

No transfers were made during the year to the Consolidated Revenue Fund of the Province.

3. Employee Future Benefits

The Public Guardian and Trustee provides pension benefits for its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are multiemployer defined benefit pension plans. These plans are accounted for as defined contribution plans as the Organization has insufficient information to apply defined benefit plan accounting. The expense represents the Organization's contribution to the plans during the year. The Public Guardian and Trustee's share of contributions to these Funds during the year was $799,384 (2001 - $858,958) and is included in employee benefits in the Statement of Revenue and Expenditures – Unappropriated Fund. The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the Statement of Revenue and Expenditures – Unappropriated Fund.

4. Mortgages and Securities in Trust

The Public Guardian and Trustee in its capacity as Accountant of the Superior Court of Justice also acts as custodian of mortgages in the amount of $501,133 (2001 - $352,069) and miscellaneous securities and documents having a face value of $3,709,732 (2001 - $3,880,462). These amounts are not reflected in the financial statements as The Public Guardian and Trustee does not act as trustee of these funds but simply as custodian of the instruments on behalf of the client. The Public Guardian and Trustee as custodian holds also letter of credits, lien bonds, guardianship bonds and performance guarantee bonds for litigants.

5. Deferred Interest Provision

Funds invested by the Public Guardian and Trustee earned interest that exceeded the prescribed rate to be paid to Estates and Trusts. During the year, an additional $500,000 (2001 -$4,300,000) was allocated raising the total provision to $8,100,000 (2001 - $7,600,000). This provision is to cover any potential losses arising from investment strategies. If these funds are not required to cover losses they will be paid out to Estates and Trusts in subsequent years.

The Public Guardian and Trustee for the Province of Ontario

Notes to Financial Statements

March 31,2002

6. Contingencies

The Public Guardian and Trustee is involved in various legal actions arising in the normal course of operations, the outcome and ultimate disposition of which are not determinable at this time.

7. Comparatives

Certain of the comparative figures have been reclassified to conform to current presentation.

The Public Guardian and Trustee for the Province of Ontario

Schedule A - Funds Invested

(in thousands of dollars)

March 31			2002		2001
Cash		$	13,893	$	3,013
Accrued interest			11,443		12,192
Short term investments			91,641		109,606
			116,977		124,811
Long term investments					
Corporate Bonds	(i)		170,450		120,539
Federal Government	(ii)		187,825		222,966
Ontario Hydro			-		29,847
Provincial Governments	(iii)		199,874		185,206
Financial Institutions	(iv)		117,131		105,194
			675,280		663,752
		$	792.257	$	788,563
Allocated as follows					
Estates and Trusts		$	780,061	$	776,015
Administration Fund			12,196		12,548
		$	792.257	$	788,563

Long term investments	Interest Rates		Cost		Market Value
(i) Corporate Bonds					
1 - 5 years	3.70 - 8.50%	$	133,383	$	133,427
5 years +	5.66 - 6.50%		37,067		36,729
			170,450		170,156
(ii) Federal Government					
1 - 5 years	3.50 - 9.00%		182,632		181,417
5 years +	5.50 - 5.50%		5,193		4,917
			187,825		186,334
(iii) Provincial Governments					
1 - 5 years	4.88 - 9.00%		117,292		115,952
5 years +	5.00 - 9.00%		82,582		82,771
			199,874		198,723
(iv) Financial Institutions					
1 - 5 years	5.10 - 8.80%		113,121		113,251
5 years +	6.70 - 6.70%		4,010		4,026
			117,131		117,277
		$	675,280	$	672,490

The Public Guardian and Trustee for the Province of Ontario

Schedule B - Diversified Fund

(in thousands of dollars)

March 31		2002		2001
Cash	$	59	$	35
Accrued interest		583		762
Short term notes		6,593		3,499
		7,235		4,296
Bonds		45,341		42,654
Canadian equity		37,356		32,980
Foreign equity		33,449		31,730
	$	123,381	$	111,660
Allocated as follows				
Estates and Trusts	$	72,872	$	64,146
Administration Fund		50,509		47,514
	$	123,381	$	111,660

Schedule C - Other Assets

(in thousands of dollars)

March 31		2002		2001
Real estate	$	46,587	$	44,240
Stocks and other securities		29,376		31,242
Mortgages and loans receivable		894		2,280
Life insurance		3,066		2,933
Other		9,602		8,953
		89,525		89,648
Less: Mortgages and loans payable		3,960		2,830
	$	85,565	$	86,818

The Public Guardian and Trustee for the Province of Ontario

Schedule D - Income from Funds Invested

(in thousands of dollars)

For the year ended March 31		2002		2001
Income from investments	$	46,114	$	52,419
Loss on sale of investments		(1,519)		(5,431)
		44,595		46,988
Less: Interest distributed to Estates and Trusts		42,868		37,135
Deferred interest provision (Note 5)		500		4,300
		43,368		41,435
	$	1,227	$	5,553

Schedule E - Income (loss) from Diversified Fund - Administration Fund

(in thousands of dollars)

For the year ended March 31		2002		2001
Income from investments	$	1,232	$	878
Unrealized appreciation (depreciation) of diversified fund		1,311		(1,404)
	$	2,543	$	(526)

WSIB Workplace Safety & Insurance Board
ONTARIO
CSPAAT Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee, to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the financial statements of the WSIB.

Eckler Partners Ltd., the independent consulting actuaries to the WSIB, express an opinion on the adequacy and appropriateness of the valuation of the WSIB's benefits liability.

David Williams
President and
Chief Executive Officer

Thomas [illegible]
Vice President,
Finance and Corporate Services
and Chief Financial Officer

March 8, 2002

WSIB Workplace Safety & Insurance Board
ONTARIO
CSPAAT Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

AUDITOR'S REPORT

KPMG

To the Workplace Safety and Insurance Board,
the Minister of Labour
and to the Provincial Auditor

Pursuant to the *Workplace Safety and Insurance Act* which provides that the accounts of the Workplace Safety and Insurance Board ("WSIB") shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the balance sheet of the WSIB as at December 31, 2001 and the statements of operations and unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of WSIB management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
March 8, 2002

WSIB Workplace Safety & Insurance Board
ONTARIO
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BALANCE SHEET

AS AT DECEMBER 31

($ Millions)	**2001**	**2000**
ASSETS		
Cash and cash equivalents	$ 7	$ 52
Receivables	286	410
Investments (note 3)	10,674	10,309
Injured Workers' Retirement Fund (note 4)	412	388
Capital and other assets (note 5)	197	236
	$ 11,576	$ 11,395
LIABILITIES		
Payables and accruals	$ 322	$ 466
Mortgage payable (note 6)	73	73
Injured Workers' Retirement Fund (note 4)	412	388
Employee future benefit liability (note 11)	296	283
Benefit liabilities (note 7)	16,130	15,860
	17,233	17,070
UNFUNDED LIABILITY (note 8)	5,657	5,675
	$ 11,576	$ 11,395

On behalf of the Board of Directors

Glen Wright, Chair
Director

The accompanying notes form an integral part of the financial statements.

WSIB Workplace Safety &
Insurance Board
ONTARIO
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STATEMENT OF OPERATIONS AND UNFUNDED LIABILITY

FOR THE YEAR ENDED DECEMBER 31

($ Millions)	**2001**	**2000**
CURRENT OPERATIONS		
REVENUES		
Premiums for current year	$ 1,866	$ 1,760
Investments (note 3)	746	1,149
	2,612	2,909
EXPENSES		
Benefit costs (note 7)	3,039	2,694
Net increase in the Injured Workers' Retirement Fund (note 4)	24	56
Administrative and other expenses (note 9)	229	247
Legislated obligations and commitments (note 10)	162	156
	3,454	3,153
Excess (deficiency) of revenues over expenses from current operations	(842)	(244)
Premiums for unfunded liability	860	971
EXCESS OF REVENUES OVER EXPENSES APPLIED TO REDUCE THE UNFUNDED LIABILITY	18	727
Unfunded liability, beginning of year	5,675	6,402
Unfunded liability, end of year (note 8)	$ 5,657	$ 5,675

The accompanying notes form an integral part of the financial statements.

WSIB Workplace Safety & Insurance Board
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(\$ Millions)	2001	2000
OPERATING CASH FLOWS		
Current Operations		
Cash received from		
Current premiums	\$ 1,856	\$ 1,714
Cash paid to		
Claimants, survivors and care providers	(2,508)	(2,342)
Injured Workers' Retirement Fund	(24)	(56)
Employees and suppliers for administrative goods and services	(449)	(446)
Others under legislated obligations and commitments	(157)	(156)
	(3,138)	(3,000)
Net cash required by current operations	(1,282)	(1,286)
INVESTING CASH FLOWS		
Investment income	\$ 399	\$ 450
Sale of investments	7,670	7,455
Purchase of investments	(7,688)	(7,514)
Net cash provided by investing activities	381	391
Cash received from unfunded liability premiums	856	947
Increase (decrease) in cash and cash equivalents	(45)	52
Cash and cash equivalents, beginning of year	52	—
Cash and cash equivalents, end of year	\$ 7	\$ 52

The accompanying notes form an integral part of these financial statements.

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professionnelle et de l'assurance
contre les accidents du travail

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. Nature of operations

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. It is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides compensation to workers who sustain injuries arising out of and in the course of employment, or who contract occupational diseases.

The WSIB administers the *Workplace Safety and Insurance Act, 1997* for two groups of employers, referred to as Schedule 1 and Schedule 2. Schedule 1 relates to services and industries in which employers are insured through "collective liability" and are required to contribute to the WSIB Insurance Fund.

Schedule 2 relates to employers who are "self-insured" in that they are individually liable. The Federal Government, which is covered under a separate agreement with Human Resources Development Canada, is also treated as a Schedule 2 employer. The WSIB pays the actual cost of claims for Schedule 2 workers and is reimbursed by these employers for the claims paid, as well as for the cost of prevention activities and administering the claims.

Investment revenue is earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB does not receive government funding or other assistance and raises funds through premium rates being applied to the payrolls of Ontario's Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. This funding provides compensation to workers and survivors of the workers who are injured in the course of employment or who contract an occupational disease.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with initial maturities up to three months.

Investments

a) **Bonds and coupons**

Bonds and coupons are carried at amortized cost. Realized gains and losses on the sale of bonds and coupons are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

b) **Equities and real estate**

Equities and real estate are carried at cost adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

c) **Short-term securities**

Short-term securities consist of money market instruments with maturities between three and twelve months and are carried at cost. Gains and losses from sales are included in income in the year they occur.

d) **Foreign currency translation**

Transactions in investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. The cash and cash equivalents are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Fair value of investments

The fair value of investments is determined as follows:

Bonds and equities are valued at year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities. The fair value of bonds and equities denominated in foreign currencies is translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Short term notes, treasury bills and term deposits maturing within a year are carried at cost, which together with accrued interest income approximates fair value given the short term nature of these instruments.

The fair value of real estate is based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Fair value of other financial assets and liabilities

The fair value of cash, receivables, and payables approximates their carrying value due to the short term nature of these instruments.

Injured Workers' Retirement Fund

The Injured Workers' Retirement Fund is invested in a pooled fund and is carried at fair value as defined above. Changes in fair value are taken into investment income of the Injured Workers' Retirement Fund in the year they occur.

Capital assets and depreciation

Capital assets are recorded at cost. The cost of buildings includes development, financing and other costs capitalized prior to becoming fully operational, at which time depreciation commences. Capital assets are depreciated using the straight-line method at rates calculated to expense the cost of assets over their estimated useful lives which in the case of buildings, office equipment and computer equipment are [illegible] years, five years and three years respectively.

Premium revenue

Under the *Workplace Safety and Insurance Act, 1997* the Board shall determine the total amount of the premiums to be paid each year by all Schedule 1 employers in order to maintain the Insurance Fund under this Act.

Premium revenue is determined by applying premium rates to estimated and actual payrolls for Schedule 1 employers.

Schedule 2 employers are individually liable to pay the benefits under the *Workplace Safety and Insurance Act, 1997* with respect to the workers employed. Reimbursements for claims paid and the cost of administering the claims are included in the premiums of the WSIB.

Premiums for unfunded liability

In advance of the fiscal year, the WSIB notifies Schedule 1 employers of the methods used to calculate these rates, the premiums payable and the payment schedule. Premium rates include a specified component that is applied to reduce the unfunded liability.

Benefit liabilities

The benefit liabilities are determined annually through an actuarial valuation and represent a provision for future benefit payments and the future cost of administering claims relating to claims incurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the adjudication practices in effect at December 31 and is based on legislation enacted January 1, 1998.

The benefit liabilities do not include any provision for payment of Schedule 2 claims as they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases and injuries that are not currently considered to be work related.

3. *Investments and investment revenue*

The carrying value of investments comprises investments at cost of $10,8[illegible] million (2000: $10,986 million) including accrued investment income, plus adjustments towards fair value of $[illegible] million (2000: $653 million), less unamortized net gains realized on the sale of investments of $7[illegible]1 million (2000: $1,[illegible] million).

Investments by category are as follows:

($ Millions)	**2001**		**2000**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Fixed income securities				
Bonds	$ 2,659	$ 3,147	$ 3,548	$ 4,022
	2,659	3,147	3,548	4,022
Equities				
Domestic	3,041	3,573	2,828	3,756
Foreign – U.S.	783	930	712	992
– Global	3,745	3,855	2,828	3,389
	7,569	8,358	6,368	8,137
Real estate	390	412	327	362
Accrued investment income	56	56	66	66
	$ 10,674	$ 11,973	$ 10,309	$ 12,587

The WSIB engages in a securities lending program [illegible] securities are loaned to counterparties [illegible] and the custodian for a fee [illegible]. At December 31, 2001, the fair value of securities on loan was $1,[illegible] million (2000: $[illegible] million).

Foreign investments are exposed to currency risk. Derivative instruments are used for the sole purpose of hedging foreign currency transactions to reduce currency risk. Such instruments are valued at year end market prices. The notional amount of foreign currency contracts hedging investments in foreign currencies totalled $320 million at December 31, 2001 (2000: $242 million). Their related fair value at year end was $325 million (2000: $243 million). The contracts mature in the first three months of 2002.

Included in the investment portfolio are securities denominated in foreign currency with a fair value of $1,775 million (2000: $1,330 million).

Revenue by category of investment is as follows:

($ Millions)	2001	2000
Bonds	$ 250	$ 285
Equities and real estate	527	854
Short-term securities	8	11
	785	1,150
Injured Workers' Retirement Fund	(12)	21
Investment expenses	(27)	(22)
Investment revenue	$ 746	$ 1,149

In 2001, $579 million (2000: $743 million) of realized and unrealized net gains were amortized to investment revenue.

4. *Injured workers' retirement fund*

Under section 44 of the *Workers' Compensation Act* and Regulations of Ontario, R.S.O. 1990 (which continues to apply to injuries and diseases incurred prior to January 1, 1998) the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers under section 43 of that *Act*. These funds are segregated from the WSIB's Insurance Fund and are invested to provide retirement income benefits for injured workers.

Under section 45 of the new *Workplace Safety and Insurance Act, 1997* effective January 1, 1998, the WSIB sets aside five per cent rather than 10 per cent of workers' loss of earnings benefits for his/her retirement fund for claims incurred after December 31, 1997. The injured worker may choose to contribute a further five per cent from his/her loss of earnings benefits. The amount is set aside only after the worker has received payments for loss of earnings for 12 continuous months.

The carrying value of the fund at December 31 is as follows:

($ Millions)	2001	2000
Cash	$ 2	$ 2
Investment in pooled fund	410	386
	$ 412	$ 388

The underlying securities in the pooled fund include fixed income securities $155 million (2000: $149 million), equities $242 million (2000: $225 million) and money market instruments $13 million (2000: $12 million).

Bonds by term to maturity as at December 31:

($ Millions)	2001					2000
	Term to maturity					
	Up to 1 year	1–5 years	5–10 years	Over 10 years	Total	Total
Government bonds						
Carrying value	$ —	$ 985	$ 692	$ 561	$ 2,238	$ 2,994
Fair value	$ —	$ 1,026	$ 712	$ 577	$ 2,315	$ 3,061
Yield %		3.8	5.3	5.9	4.8	5.6
Corporate bonds						
Carrying value	$ 4	$ 343	$ 226	$ 237	$ 810	$ 957
Fair value	$ 4	$ 357	$ 234	$ 237	$ 832	$ 961
Yield %	2.4	4.3	5.9	6.7	5.4	6.3
Less: Unamortized gain					389	403
Total						
Carrying value					$ 2,659	$ 3,548
Fair value					$ 3,147	$ 4,022
Yield %					5.0	5.7

The average yield refers to the yield to maturity, which is the discount rate that makes the present value of future cash flows of each bond equal to its fair value at December 31.

In 2001, the net increase in the Injured Workers Retirement Fund was $24 million (2000: $56 million).

The change in net assets is as follows:

($ Millions)	**2001**	**2000**
Fund set aside under the Act	$ 50	$ 46
Investment income/(loss)	(12)	21
Benefit costs paid	(14)	(11)
Increase in net assets	24	56
Net assets, beginning of year	388	332
Net assets, end of year	$ 412	$ 388

5. Capital and other assets

($ Millions)	**2001**		**2000**
	Cost	**Net carrying value**	**Net carrying value**
Buildings and leasehold improvements	$ 217	$ 150	$ 160
Office equipment	107	11	14
Computer equipment	89	24	28
	413	185	202
Other assets	12	12	34
	$ 425	$ 197	$ 236

Depreciation expense in 2001 was $3[illegible] million (2000: $30 million).

6. Mortgage payable

The WSIB is a [illegible] per cent participant in the co-ownership agreement of its head office building. To fund part of the development and construction of the building, the WSIB entered into a long term mortgage loan agreement in 19[illegible]. The mortgage loan is secured by the building and matures in the year 201[illegible]. The interest rate is fixed at 10.[illegible] per cent per annum, compounded semi-annually.

7. Benefit liabilities and benefit costs

Benefit liabilities represent an actuarially determined provision for future benefit payments and administration costs relating to incurred claims discounted to present value at the assumed net investment returns shown below. Estimates of future benefit payments refer to both reported and unreported claims which have arisen from work related injuries and occupational diseases that occurred on or before December 31, 2001 and are based on the level and nature of entitlement, as prescribed by legislation, and on adjudication practices in effect at December 31, 2001 and 2000. The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments depends upon economic and actuarial assumptions, which were based upon past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

($ Millions)	**2001**	**2000**
Inflation rate	3%	3%
Investment rate of return	7%	7%
Rate of indexation of benefits		
Fully indexed	3%	3%
Partially indexed	0.5%	0.5%
Net investment return		
Fully indexed	4%	4%
Partially indexed	6.5%	6.5%
Wage and health care costs escalation rate	4%	4%

Mortality estimates were based on the WSIB's mortality experience of 1991–199[illegible] for injured workers and on the Ontario Life Tables adjusted to reflect WSIB's mortality projections for survivors of deceased workers of 1990–1992. Provision has been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes the amount provided for future payments for incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year, when independent actuarial valuations are performed. The actuarial present value of future benefit payments for reported and unreported work-related injuries and occupational diseases that occurred in the year are recorded as benefit costs together with adjustments, if any, resulting from the continuous review of entitlements and experience, and from changes in legislation, assumptions or methods.

The benefit liabilities include a provision of $[illegible] million (2000: $[illegible] million) for future costs of administering existing claims. Administrative and other expenses have been reduced by $[illegible]61 million (2000: $[illegible] million) released from the provision for benefit liabilities relating to claim administration expense for the current year.

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Benefit liabilities provision and benefit costs paid in 2001 were as follows:

($ Millions)	2001								2000
		Labour market re-entry							
	Long-term disability	Income support	External providers	Short-term disability	Health care	Survivor benefits	Claim administration costs	Total	Total
Benefit liabilities, Beginning of year	$ 11,362	$ 363	$ 246	$ 590	$ 1,224	$ 1,320	$ 755	**$ 15,860**	**$ 15,735**
Benefit costs	1,434	(86)	34	479	607	297	274	**3,039**	**2,694**
Benefit costs paid, During the year									
Schedule 1	(1,230)	(82)	(70)	(465)	(299)	(119)	(261)	**(2,526)**	**(2,341)**
Schedule 2	(112)	(6)	(3)	(61)	(33)	(14)	—	**(229)**	**(217)**
Injured Workers' Retirement Fund	(14)	—	—	—	—	—	—	**(14)**	**(11)**
	(1,356)	(88)	(73)	(526)	(332)	(133)	(261)	**(2,769)**	**(2,569)**
Change in benefit liabilities	78	(174)	(39)	(47)	275	164	13	**270**	**125**
Benefit liabilities, End of year	$ 11,440	$ 189	$ 207	$ 543	$ 1,499	$ 1,484	$ 768	**$ 16,130**	**$ 15,860**

8. Actuarial reconciliation of the change in the unfunded liability

The actuarial reconciliation of the change in the unfunded liability is as follows:

($ Millions)		2001		2000
Unfunded liability, beginning of year		$ 5,675		$6,402
Add (deduct):				
Investment income not earned due to shortfall in invested assets		404		450
Premiums allocated to reduction of unfunded liability		(860)		(971)
Experience (gains) / losses resulting from:				
Indexation of benefits less than expected		(110)		(49)
Higher than expected investment returns		(8)		(426)
Prior and current years' claims experience		77		234
Changes in assumptions:				
Long-term loss of earnings	18		(140)	
Future claim administration costs	—		(80)	
Health care benefits	243		59	
Long-term disability	100		180	
Other changes	108	469	(89)	(70)
Change in personal income tax rates		10		105
Unfunded liability, end of year		$ 5,657		$5,675

9. Administrative and other expenses

Administrative and other expenses consist of the following:

($ Millions)	2001	2000
Salaries and employee benefits	$ 305	$ 295
Equipment depreciation and maintenance	45	42
Occupancy	35	31
Communication	12	11
Supplies and services	20	16
Travel and vehicle maintenance	8	7
New Systems Development and Integration	47	58
Other	18	14
	490	474
Claim administration costs (note 7)	(261)	(227)
	$ 229	$ 247

10. Related party transactions

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997* and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for the administrative cost of the *Occupational Health and Safety Act*. In addition, the WSIB is also required to fund the operating costs of the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Advisor and the mine rescue

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stations. The amounts of reimbursements and funding are determined and approved by the Minister of Labour. The WSIB is also committed to provide funding for the Institute for Work and Health and for the Safe Workplace Associations. The total amount of funding provided under these legislated obligations and commitments in 2001 was $162 million (2000: $156 million).

Investments

Included in investments are marketable fixed income securities issued by the Ontario provincial government and related corporations of $262 million (2000: $373 million).

Other

In addition to the legislated obligations and accident prevention expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations with various Ontario government controlled ministries, agencies, and Crown corporations with which the WSIB may be considered related. Such transactions are conducted on terms and conditions similar to those transactions with unrelated parties. Account balances resulting from these transactions are not significant.

11. Employee future benefit liability

In accordance with section 3461 of the CICA handbook, the cost of employee future benefits is recognized in the reporting period in which employees have provided the service. At year end 2001 the WSIB's accrued liability for employee future benefits other than pensions was $296 million (2000: $283 million).

The significant actuarial assumptions adopted to value the WSIB's accrued liability for employee future benefit obligation other than pensions were as follows:

	2001	2000
Discount rate	7%	7%
Health care cost trend rate		
Medical – for first 10 years	7%	7%
– subsequent years	4%	4%
Dental	4%	4%

12. Pension plans

The WSIB has two pension plans for its employees and Safe Workplace Associations, the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a contributory defined benefit pension plan which provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administered by the WSIB. An independent actuarial valuation performed as of December 31, 2001 in accordance with section 3461 of the CICA handbook, "Employee Future Benefits," has determined that the pension plan is in a surplus position. The accrued pension obligations of the plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations, and ages at which members will retire.

The WSIB's Employees' Supplementary Pension Plan is a contributory defined benefit plan created to ensure that employees of the WSIB and Safety Workplace Agencies whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Income Tax Act (Canada)* will receive pension benefits based on their total earnings. The investment activities and the administrative and accounting matters of the supplementary pension plan are administered by the WSIB.

The Employees' Pension Plan status as at December 31 is as follows:

($ Millions)	2001	2000
Fair value of plan assets	$ 1,147.1	$ 1,186.8
Accrued pension benefits obligation	1,057.0	977.2
Plan surplus	$ 90.1	$ 209.6
Accrued benefit asset (liability) as at December 31	$ (5.2)	$ 22.6
Activity for the year		
Plan expense for the year	$ 27.8	$ 24.2
Employer contributions	$ —	$ —
Employee contributions	$ —	$ —
Pension benefits paid	$ 34.8	$ 36.0

The significant actuarial assumptions adopted as at December 31 to value the Employees' Pension Plan is as follows:

	2001	2000
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase	5.5%	5.5%

The Supplementary Pension Plan status as at December 31 is as follows:

($ Millions)	2001	2000
Fair value of plan assets	$ 1.2	$ 0.8
Accrued pension benefits obligation	10.3	8.9
Plan (deficit)	$ (9.1)	$ (8.1)
Accrued benefit asset (liability) as at December 31	$ (4.1)	$ (2.7)
Activity for the year		
Plan expense for the year	$ 1.6	$ 2.9
Employer contributions	$ 0.2	$ 0.2
Employee contributions	$ 0.3	$ 0.2
Pension benefits paid	$ 0.1	$ —

The significant actuarial assumptions adopted as at December 31 to value the Supplementary Pension plan is as follows:

	2001	2000
Discount rate	7.00%	7.00%
Expected long-term rate of return on plan assets	3.75%*	3.75%*
Rate of compensation increase	5.50%	5.50%

* Adjusted to reflect the impact of 50% refundable tax under the *Income Tax Act (Canada)*

13. Commitments and contingencies

Operating leases

At December 31, 2001, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately $17 million per year over the next five years and $36 million in aggregate thereafter.

Legal actions

The WSIB is party to various claims and lawsuits which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WSIB.

Bank line of credit

The WSIB maintains an unsecured $150 million line of credit with a commercial bank. The credit line was not utilized in 2001.

14. Subsequent event

Electrical utilities, formerly agencies of provincial and municipal governments, have been required to incorporate their operations under the *Ontario Business Corporations Act*. Effective January 1, 2002, the WSIB will transfer all electrical utility employers previously covered under Schedule 2 to Schedule 1. The estimated impact of this transfer in 2002 will be an increase in receivables of $90 million, an increase in benefit liability of $143 million, and an increase in the unfunded liability of $53 million.

15. Comparative figures

Certain of the comparative amounts have been reclassified to conform with the presentations adopted in the current year.

WSIB ONTARIO Workplace Safety & Insurance Board
CSPAAT Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

PUBLIC SECTOR

SALARY DISCLOSURE 2001

Name	Position Title	Earnings	Taxable Benefits	Total Earnings
Abrams, Brenda E.	Legal Counsel	$108,066.31	$218.46	$108,284.77
Achar, Ramach Andra	Medical Consultant	$117,738.79	$243.70	$117,952.49
Adamo, Valerie	VP Information Svcs & CIO	$167,915.75	$302.46	$168,218.21
Allingham, Richard	Dir Research & Evaluation	$112,441.20	$233.22	$112,674.42
Angove, Linda	Corporate Secretary	$112,779.60	$221.78	$113,001.38
Anstey, Calvin	Dir Transportation Sctr	$106,728.56	$222.26	$106,950.82
Argue, Robert	Dir Applications Dev	$108,667.91	$225.94	$108,893.85
Aronshtam, Masha	Medical Consultant	$126,533.78	$263.02	$126,796.80
Arvisais, Ed	Medical Consultant	$130,466.78	$263.02	$130,729.80
Bain, Donna	Exec Dir Health Svcs Mgmt	$151,523.42	$270.10	$151,793.52
Belanger, Adele Marie	Legal Counsel	$106,573.98	$218.10	$106,792.08
Bell, Susan	Dir Central Claims Processing	$108,717.90	$222.34	$108,940.24
Bennetto, John	Dir Svcs Sctr	$103,537.58	$214.98	$103,752.56
Bishop, Margaret	Medical Consultant	$126,533.78	$263.02	$126,796.80
Brown, Elizabeth	Legal Counsel	$107,649.59	$218.58	$107,868.17
Burton, Neil	Dir Client Server Dev	$121,033.42	$231.14	$121,264.56
Campbell, Clark	Dir Municipal Edn & Elec Utilities	$102,968.94	$214.02	$103,182.96
Cannie, George	Medical Consultant	$126,612.79	$263.34	$126,876.13
Chan, Marybelle	Medical Consultant	$125,972.18	$261.94	$126,234.12
Chan, Thomas	VP Finance & Corp Svcs & CFO	$184,149.12	$319.52	$184,465.64
Cleary, Noreen	Dir Pre 1990 Claims	$104,975.16	$216.36	$105,191.52
Coutinho, Jude	Assoc Medical Dir	$101,208.22	$200.20	$101,408.42
Cude, Beverley	Dir Technology Svcs	$123,674.94	$231.14	$123,906.08
David, Lawrence	Medical Consultant	$124,505.80	$257.26	$124,763.06
de Demeter, Dorrit	Medical Consultant	$126,612.79	$263.34	$126,876.13
de Domenico, Ivan J.	Medical Consultant	$127,497.99	$263.02	$127,761.01
Desaulniers, Jean	Medical Consultant	$118,738.79	$243.70	$118,952.49
Dion, Patrick	Medical Consultant	$119,997.79	$243.70	$120,241.49
Douglas, Richard Alexander	Dir Employee Relations	$129,695.87	$268.98	$129,964.85
D'Souza, Irene	Medical Consultant	$122,456.80	$253.66	$122,710.46
Dudley, John	Assoc Medical Dir	$136,846.37	$281.26	$137,127.63
Fedder, Jonathan E.	Managing Dir Legal	$106,243.11	$0.00	$106,243.11
Field, Paul	Dir Small Business	$101,640.91	$207.84	$101,848.75
Flynn, Miriam E.	Legal Counsel	$106,588.00	$219.02	$106,807.02
Fortin, Claire Marie	Dir Medical Occ Disease Policy	$101,542.87	$210.76	$101,753.63
Frame, David A.	Dir Provider Relations	$103,287.85	$214.46	$103,502.31
Garg, Swarn	Medical Consultant	$126,533.78	$263.02	$126,796.80
Geary, Judy	GM Specialized Claim Svcs	$155,958.56	$282.66	$156,241.22
Germansky, Martin	Medical Consultant	$126,533.78	$263.02	$126,796.80
Gibbs, Henry	VP Investments	$272,056.18	$418.75	$272,474.93
Gillies, James	Dir Financial Planning & Analysis	$118,348.43	$218.26	$118,566.69
Hadeski, Anna	Medical Consultant	$126,612.79	$263.34	$126,876.13
Hall, Nick M.	Dir Automotive Sctr	$106,912.87	$222.74	$107,135.61
Hawkins, Adam F.	Dir Realty Investments	$142,381.87	$237.38	$142,619.25
Heckadon, Robert	Assoc Medical Dir	$151,341.37	$0.00	$151,341.37
Hickman, Robert	Medical Consultant	$122,428.81	$253.66	$122,682.47
Higgins, Jodi	Dir Small Business	$105,744.20	$215.54	$105,959.74
Ho Kim Thu Lan	Medical Consultant	$107,196.78	$227.20	$107,423.98
Ho, Michael	Medical Consultant	$126,581.80	$263.22	$126,845.02
Holyoke, Paul	General Counsel	$207,067.94	$342.72	$207,410.66
Horseman, Brock E.	Sr VP Operations	$299,009.74	$472.74	$299,482.48
Houston, Roberta	Legal Counsel	$101,289.67	$209.56	$101,499.23
Jolley, Linda	VP Policy & Research	$184,467.27	$309.60	$184,776.87
Jones, Derek	Medical Consultant	$114,137.18	$246.06	$114,383.24
Kanaler, Andrew D.	Medical Consultant	$131,407.18	$271.10	$131,678.28
Karr, William	Medical Consultant	$126,533.78	$263.02	$126,796.80
Kelly, J. Brian	Assoc Medical Dir	$145,156.09	$292.50	$145,448.59
Kelly, Linda	Dir Specialist & Advisory Svcs	$103,454.13	$202.20	$103,656.33
Kempster, Geoff	Dir Manufacturing Sctr	$107,540.62	$223.46	$107,764.08
Kerr, Fergus	Dir Mining Sctr	$103,449.56	$215.28	$103,664.84
Kosmidis, Elizabeth	Legal Counsel	$107,600.14	$218.26	$107,818.40
Kulymych, Heidi	Dir Corp Off	$119,186.21	$212.00	$119,398.21
Kwong, Paul	Project Dir	$122,781.31	$223.74	$123,005.05
Lamanna, Pat	Dir Small Business	$111,235.35	$229.14	$111,464.49
Lamoureux, Linda	Dir SIB	$175,625.94	$299.35	$175,925.29
Leshchyshyn, Dario	Dir Construction Sctr	$110,925.34	$230.50	$111,155.84
Levitsky, Marianne	Dir Best Practices	$105,003.05	$215.54	$105,218.59
Lewis, Owen	Dir Applications Dev	$109,626.47	$216.58	$109,843.05
Landry, David	Dir Client Server Dev	$115,754.84	$229.06	$115,983.90
Lame-Monette, Francine	Medical Consultant	$122,456.80	$253.66	$122,710.46
Lovelock, Ronald	Dir Prevention Svcs	$105,638.16	$215.54	$105,853.70
Luck, Mary	Dir Svcs Sctr	$111,719.14	$227.86	$111,947.00
MacArthur, Angus	Medical Consultant	$126,612.79	$263.34	$126,876.13
Maehle, Waldemar	Medical Consultant	$117,738.79	$243.70	$117,982.49
Malovil, Ammini	Medical Consultant	$126,581.80	$263.22	$126,845.02
Martin, Peter J.	Dir Compensation	$114,325.53	$237.62	$114,563.15
Mastrilli, Arcangelo	Medical Consultant	$126,533.78	$263.02	$126,796.80
McAdam, Roberta	Dir Revenue Audit Svcs	$111,121.01	$219.70	$111,340.71
McCarthy, Jane	GM Hlth Svcs Admin Spec Prgms	$149,360.14	$211.90	$149,572.04
McCleave, Dave	Dir Small Business	$102,486.82	$212.49	$102,699.31
McKenna-Boot, Patricia	Medical Consultant	$117,738.79	$243.70	$117,952.49
McMurtrie, Robert	Dir Financial Svcs	$121,686.83	$232.18	$121,919.01
Meenan, John J.	Medical Consultant	$117,738.79	$243.70	$117,982.49
Mikkelsen, Allan Charles	HR Business Partner F&CS	$100,936.15	$196.56	$101,132.71
Mitchell, William	Dir Applications Dev	$105,563.05	$214.70	$105,782.75
Morden, Donald Lawrence	VP Human Resources	$198,454.91	$335.28	$198,790.19
Morrison, Richard	Dir Small Business	$105,685.75	$219.62	$105,905.37
Moule, Roy	VP Prevention	$180,735.66	$314.64	$181,050.30
Palmer, Catherine	Dir Clinical Svcs	$151,844.37	$312.00	$152,156.37
Potter, Douglas	Mgr Business Systems & Support	$102,331.92	$210.14	$102,541.06
Prichett, Barry	Medical Consultant	$126,533.78	$263.02	$126,796.80
Pustka, Wayne	Asst Dir & Chief Investigator	$103,923.45	$215.54	$104,138.99
Ramsey, William	Actuary, Pricing & Valuation	$140,348.66	$294.14	$140,643.77
Roy, Marie	Medical Consultant	$126,612.79	$263.34	$126,876.13
Schofield, Michel	Physician Coord Specialty Clinic	$146,364.49	$292.50	$146,656.99
Scopo, Fernand	Dir Health Care Sctr	$104,846.61	$217.49	$105,064.10
Scullion, Catherine	Medical Consultant	$117,193.58	$242.95	$117,436.53
Sgro, Joseph	Dir Quality Improvement	$117,425.44	$234.90	$117,660.34
Shapiro, Gary	Medical Consultant	$126,533.78	$263.02	$126,796.80
Sherwin, Linda	Medical Consultant	$117,738.79	$243.70	$117,982.49
Simmons, Wayne G.	Dir Investments	$143,853.23	$291.61	$144,144.84
Singer, John	Dir Appeals	$125,212.23	$251.94	$125,464.17
Sookram, Ash	Sr Project Mgr	$100,535.37	[illegible]	[illegible]
Stasio, Dave	Dir Investments	$150,435.47	[illegible]	[illegible]
Teraschuk, Ihor	Medical Consultant	$117,738.79	$243.70	$117,982.49
Thomas, Roy E.	VP Communications	[illegible]	[illegible]	[illegible]
Thomson, Gerry	GM Industry Sctr	$154,214.95	[illegible]	$154,494.51
Todorovic, Nevio	Dir Benefits Policy	$112,441.20	[illegible]	[illegible]
Tsoutsis, Robert W.	Dir Primary Metal Sctr	$101,206.23	[illegible]	[illegible]
Vale-Webb, Gordon	Dir Knowledge Mgmt	[illegible]	[illegible]	[illegible]
Walker, Joan	Medical Consultant	[illegible]	[illegible]	[illegible]
Wang, Kenneth	Dir Schedule 2	[illegible]	[illegible]	[illegible]
Weathertree, Bruce	GM Small Business	[illegible]	[illegible]	[illegible]
Welton, Ian	Dir Revenue Policy	[illegible]	[illegible]	[illegible]
Williams, David	President & CEO	[illegible]	[illegible]	[illegible]
Williams, Susan	Dir Customer Care	[illegible]	[illegible]	[illegible]
Wilson, John	Dir Schedule 2 Sctr	[illegible]	[illegible]	[illegible]
Wright, Glen	Chair of the Board	$151,473.08	$0.00	$151,473.08

Note: The amounts shown as earnings in this disclosure statement may not represent the individual's actual annual rate of salary. The earnings required to be made public under the Public Sector Salary Disclosure Act, 1996 reflect the amount reported to Revenue Canada on the employee's T4 slip for an employee. The earnings shown in this statement may therefore include non-recurring payments in 2001 for retroactive pay from a reclassification or a grievance settlement or a payout upon retirement. The earnings shown may also be less than the individual's annual rate of salary, if the individual worked only part of the year.

LOSSES DELETED FROM THE ACCOUNTS

(Under the *Financial Administration Act*)
for the year ended March 31, 2002

Ministry	$
FINANCE	100,427,981.16
COMMUNITY AND SOCIAL SERVICES	10,483,449.71
TRAINING, COLLEGES AND UNIVERSITIES	5,777,256.16
HEALTH AND LONG TERM CARE	5,043,733.12
MUNICIPAL AFFAIRS AND HOUSING	1,764,534.34
MANAGEMENT BOARD SECRETARIAT	869,904.23
CITIZENSHIP	408,028.51
TOURISM, CULTURE AND RECREATION	393,944.36
AGRICULTURE, FOOD AND RURAL AFFAIRS	302,666.73
ECONOMIC DEVELOPMENT AND TRADE	239,948.44
CONSUMER AND BUSINESS SERVICES	187,256.91
NATURAL RESOURCES	51,889.44
LEGISLATIVE ASSEMBLY OF ONTARIO	15,396.70
ENVIRONMENT	11,884.83
SOLICITOR GENERAL	6,207.14
CORRECTIONAL SERVICES	1,950.19
ENERGY, SCIENCE AND TECHNOLOGY	195.25
LABOUR	26.75
TOTAL MINISTRIES	125,986,253.97
ONTARIO DEVELOPMENT CORPORATION	479,048.00
TOTAL WRITE-OFFS	**$ 126,465,301.97**

REVENUE REMISSIONS OF $1,000 OR MORE

(Under the *Ministry of Revenue Act*)
granted for the year-ended March 31, 2002

	$
Ministry of Finance	
Wayne Ashley Retail Sales Tax	3,948

Other Remissions

A remission of *Retail Sales Tax* was granted to the Toronto Transit Commission upon the amount of all lease payments to be made by the TTC on 372 subway cars that are subject to a sale and leaseback financing arrangement, as approved by the City in 1991 and 1998, so long as retail sales tax has been paid on the subway cars when they are first acquired by the TTC. The amount of this remission is estimated to be approximately $80 million.

A remission was granted of any *Retail Sales Tax* collectable by vendors and payable by consumers, on purchases of packages of cereal that include taxable goods, during the period August 1, 2001 to July 31, 2002, provided that the manufacturer pays retail sales tax on the taxable goods purchased to be packaged with the exempt food products.

A remission of *Retail Sales Tax* was granted to registrants of multijurisdictional vehicles (MJV's) under the international registration plan (IRP) payable on the purchase of trailers for MJV's, on warranty or maintenance contracts, or on repairs to MJV's or trailers, until they register their MJV's again after October 1, 2001, to eliminate the interim tax liability during the IRP phase-in period.

A remission of *Land Transfer Tax* was granted to the Royal Ontario Museum, and a remission of *Retail Sales Tax* was granted to the Royal Ontario Museum and the Ontario Heritage Foundation, for the period December 5, 2001 to June 30, 2004, to provide these organizations with a transition period to adjust their budgets for their new tax liability for taxes from which they were previously exempt.